



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 320)

\* For identification purposes only

## Annual Report 2007/2008



To become a

# GLOBAL LEADER

*in design, manufacturing, and distribution of electronic controls  
by establishing long-term partnerships based on integrity and  
ethical business practices.*





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## Directors

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## Authorised Representatives

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

## Executive Committee

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

## Audit Committee

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

## Remuneration Committee

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

## Registered Office

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

## Head Office and Principal Place of Business

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

## Website

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

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Auditors

Ernst & Young

## Legal Advisor

Richards Butler in association with Reed Smith LLP

## Compliance Advisor

DBS Asia Capital Limited

**Nomination Committee**

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

**Qualified Accountant**

Ms. Choi Po Yee, Alice

**Company Secretary**

Ms. Soon Yuk Tai

**Stock Code**

320

**Investor Relations Consultant**

CCG Elite Investor Relations Limited  
Room 1308, 13th Floor,  
9 Queen's Road Central,  
Hong Kong

**Principal Bankers**

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to present the annual results of Computime Group Limited (the "Company") and its subsidiaries (together "the Group") for the financial year ended 31 March 2008.

A challenging operating environment spanned the entire year under review, so while we look back with a sense of accomplishment we are not fully satisfied. Increased revenue turnover, operating profit and cash flow from operations underscored successes in expanding our customers, sustaining the quality of our products and enhancing the effectiveness of our business model. Yet rising raw materials, labour and energy costs in Mainland China together with the continuous appreciation of Renminbi ("RMB") reduced our profit. Revenue turnover for the year increased to HK\$2,274,075,000, representing a considerable growth of 13.5%. Profit attributable to equity holders of the Company amounted to HK\$105,351,000. Earnings per share were 12.7 HK cents.

Backed by the healthy financial position of the Group, the Board of Directors of the Company recommended the payment of a final dividend of 2.8 HK cents per share for the year. Together with the interim dividend of 2.2 HK cents paid, total dividend for the year ended 31 March 2008 will be 5.0 HK cents per share. This translates into a 39.4% dividend payout ratio of the current year attributable profit.

## Our Long-Term Growth Strategy

Leveraging on the Group's expertise in control technology and our recognized brands, we have been exerting great efforts to strategically expand our geographical coverage and customer base. We completed the acquisition of the remaining equity interest in Salus Controls Plc ("Salus") and the entire interest in Asia Electronics HK Technologies Limited during the year which marked a new milestone in accelerating our business expansion towards the global markets covering Europe, Asia, the Middle East and Australia as well as in diversifying our product portfolio and expanding into air-conditioning control technology. The proportion of our geographical segment sales in Europe and Asia increased to 47.4% of the Group's total revenue for the year, proving our efforts to reduce the reliance on the United States ("US") market.

Our 'Salus' brand business, small but rapidly growing element of our business, recorded a remarkable growth in sales of over 118% as compared to last year. Our new innovative products won two industrial awards, representing market recognition in our efforts to build the Group's branded business. The astounding response from United Kingdom and German markets proved our strategy successful. We will accelerate business growth by launching our 'Salus' brand in Asia.

The Group will continue to execute its business strategy to capture suitable merger and acquisition opportunities to enhance our position in existing markets and to achieve profitable growth in new markets. We will also continue to place great emphasis on operational growth by strengthening our in-house design and research and development capabilities to drive new product development for niche markets, specifically focusing on energy management and renewable energy products with high growth potential and good margins. Driven by a quest for better quality of life and growing global focus on energy savings, we have witnessed a mounting demand for smart energy and home automation products with the application of wireless technology. To capture this market uptrend, the Group has expanded its market force and set up special teams to focus on the development of these emerging sectors. It takes some time for the whole development process to achieve fruitful results; however, management believes that these business sectors will constitute one of the foremost growth drivers for the Group over the coming years.

## Outlook

For the financial year 2009, the Group will face more challenges. It is expected that the deteriorating economy in the US will further the slowdown in global economic growth and affect consumer spending. Building upon the foundation of a resilient and dynamic business model, we are very well positioned to expand our presence in stronger areas like Europe, Asia and other new markets to broaden our customer base and capture new business opportunities. The Group will devote more resources to developing high value products and enhancing innovative design elements to gain a greater share of this important business segment. We are strategically allied with Attero Tech, LLC, a professional technology and engineering design company, to establish a joint technology centre in North America. This helps reinforce the Group's design and technology platform and better serve diversified market segments.

While we will continue to make our best effort to improve operating and production efficiency, we are aware that the operating environment in Mainland China will remain difficult in the coming year given the rising costs of raw materials, energy and labour, as well as general inflation and continuous appreciation of RMB, putting pressure on the Group's manufacturing operations in Mainland China. Yet, we will devote greater efforts to enhance our profitability through price increase, stringent cost controls and productivity improvement program to increase the competitiveness of the Group in all the markets we are fortunate to serve.

Leveraging our continuous efforts in research and development, a well-established, high-quality and cost effective business model, our diversified and renowned customer base as well as an experienced management team with foresight in the electronic control industry, the Group is positioned to capture the huge growth potential of new markets in the smart energy industry. We are optimistic and believe that our efforts will capture a meaningful share of this exciting growth during the years to come.

## Appreciation

Lastly I would like to take this opportunity to express my sincere appreciation to our dedicated management team and staff for their continuous commitment and hard work. I would also like to thank our shareholders, business partners and customers for their loyal support and trust in us. We will continue to strive to do our best effort to maximize returns and create a long-term value for our stakeholders.

**Auyang Ho**

*Chairman*

Hong Kong, 14 July 2008

## Financial Highlights

### Turnover by Business Segment

During the year ended 31 March 2008 (the "Year"), the Group recorded an increase in revenue by approximately 13.5% to HK\$2,274,075,000 as compared to that of last year. The growth was attributable to the boost in sales of building and home controls, appliance controls, and commercial and industrial controls to HK\$1,096,133,000, HK\$860,754,000 and HK\$317,188,000, representing an increase of approximately 16.1%, 11.0% and 12.1%, respectively. As a percentage to turnover, sales from building and home controls, appliance controls, and commercial and industrial controls segments accounted for approximately 48.2%, 37.9% and 13.9% of the Group's total revenue respectively.

### Turnover by Geographical Location

In terms of geographical location, the Group continued to expand its business coverage in European and Asian countries. With the acquisition of Salus Controls Plc and Asia Electronics HK Technologies Limited ("AEHK", formerly known as Electra HK Technologies Limited) during the Year, the Group recorded strong growth in sales to the European and Asian markets by approximately 29.0% and 47.8% respectively as compared to that of last year, which sales accounted for approximately 33.7% and 13.7% of its turnover respectively. Although the United States ("US") market is generally weak, the Group's sales to the Americas slightly increased by 1.3%. The proportion of sales generated from this market decreased to approximately 51.5% of the Group's turnover as compared to 57.8% last year as a result of the diversification of revenue sources from different geographical locations.

### Profitability and Margin

Despite the challenging operating environment, the Group's gross profit increased by 7.2% to HK\$364,754,000. Gross profit margin decreased slightly by 1.0% to 16.0% due to the combined effects of decrease in sales of high margin thermostat control products owing to the further weakening US housing market, increase in raw material costs, general inflation in Mainland China in which the Group's production facilities are located and appreciation of Renminbi ("RMB") during the Year, which was partially offset by the increase in sales mix to customers and products with better margin for its appliance controls and commercial and industrial controls businesses, mainly in the European and Asian markets. Despite constraints in the operating environment, the Group managed to rein in operating expenses to a slight increase and recorded a substantial decrease in finance costs with effective cost controls.

Without taking into account the capital gain on disposal of associates and disposal of items of property, plant and equipment for the year ended 31 March 2007, earnings before net interest expenses, tax, depreciation and amortization for the Year (excluding the fair value loss on derivative financial instrument, which was mainly attributable to a forward contract entered into by the Group) amounted to HK\$201,846,000 as compared to HK\$186,464,000 last year. Profit attributable to equity holders of the Company for the Year was approximately HK\$105,351,000.



## Business Review

### Building and Home Controls Business

The Group recorded strong growth in the building and home controls business and revenue from this segment increased by approximately HK\$151,668,000 or 16.1% to HK\$1,096,133,000 as compared to HK\$944,465,000 for the previous year. The increase in turnover was mainly attributable to the launch of new generation air quality products in the US, increase in sales of home automation products and electronic control for air conditioning products as well as robust growth in sales of 'Salus' brand products.

With the completion of acquisition of the remaining minority interests of Salus Controls Plc during the Year, the Group placed greater efforts in promoting its own 'Salus' brand in the European market and increased the sales force to expand the distribution channels. With innovative design, first-class quality and competitive pricing strategy, the 'Salus' brand products have been well-received by customers in the United Kingdom and German markets. Within these regions, the Group saw an increasing demand from professional wholesalers and installers. To capture this growing segment, the Group continued to diversify the product offerings of the 'Salus' brand to enhance brand recognition and deepen market penetration.

### Appliance Controls Business

During the Year, appliance controls business reported a double digit growth with sales up by approximately HK\$85,213,000 or 11.0% to HK\$860,754,000 as compared to HK\$775,541,000 last year. Contribution to revenue growth came from the increase in sale of controllers to certain appliance customers in the European market. The Group has strategically discontinued low profit margin products and focused on developing high value-added products. This strategy, backed by the cost improvement program launched during the Year, enhanced the profitability of this segment.

### Commercial and Industrial Controls Business

The Group's commercial and industrial controls business segment achieved significant sales growth of approximately HK\$34,191,000 or 12.1% to HK\$317,188,000 as compared to HK\$282,997,000 last year. The increase in turnover was mainly due to the increase in sale of commercial broadcasting and industrial equipment products which offered a higher profit margin.

### Outlook

Looking ahead, the coming year will be a challenging year to the Group giving the operating environment in Mainland China remains stern. Rising cost of raw materials, labour and energy as well as general inflation in Mainland China and continuous appreciation of RMB have been putting cost pressure on the Group's manufacturing operations in Mainland China. A softening US market is expected to continue which will slow down the global economic growth. The tough condition will accelerate consolidation in the electronic controls industry, weeding out the less competitive players in the market.

Capitalizing on its innovative design, research and development capabilities, advanced technology platform, strong pipeline and operation efficiency, the Group remains confident in its competitiveness. The Group will increase its efforts to improve its profitability through price increase and continuous stringent cost controls. Factory productivity improvement program is also in place to manage cost increase by setting up automation task force and outsourcing group. Furthermore, the Group will continue to expand its market coverage in Europe and Asia. The Group has successfully established 'Salus' as Europe's fastest growth specialist brand of temperature control products. With a promising start of creating a foothold of its branded products in Europe, the Group will continue to foster growth of its branded business by replicating the successful model to Asian markets such as Mainland China, India, South East Asia and Australia/New Zealand.

The Group sees an immense growth potential in the energy management and renewable energy market given the exploding prices of conventional resources such as oil, gas and electricity. Moreover, there is a growing global movement toward energy conservation and environmental preservation as tougher standards and guidelines are being put in place to reduce greenhouse gas emissions, driving consumers to smart energy solutions in an effort to improve energy efficiency and reduce energy costs. Application of wireless technologies in energy management and home automation is an emerging market with great potential. The Group is on track to position itself as a global premier brand of smart energy initiative with its smart energy products became one of the first in the world to be certified by ZigBee Alliance. Staying at the forefront of the electronic controls and automation industry, the Group will devote more resources along the lines of increasing research and development efforts and expanding strategic alliances with renowned universities to facilitate the development of renewable energy products such as Salus Solar Thermal Systems for water heating in residential and commercial applications, as well as Nortus home automation system.

Looking forward, the branded business will be a major growth driver for the Group, bringing multiple revenue streams and high profit margin for sustainable long-term business growth. The Group will continue to identify suitable companies for acquisition that can enhance its technology capabilities and broaden its brand distribution channels to capture new markets.

## Liquidity, Financial Resources and Capital Structure

As at 31 March 2008, the Group had cash and cash equivalents of HK\$568,819,000, majority of which were denominated either in US dollars or Hong Kong dollars and HK\$18,002,000 were denominated in RMB. Average trade receivable and average inventory turnover periods were 53.3 days and 61.5 days respectively. Overall, the Group maintained a strong current ratio of 1.87 as at 31 March 2008.

As at 31 March 2008, total interest-bearing bank and other borrowings were HK\$268,954,000, comprising bank loans and overdrafts of HK\$265,821,000 and finance lease payable of HK\$3,133,000, of which HK\$228,098,000 will be repayable within one year and HK\$40,856,000 will be repayable after one year. The majority of these borrowings were denominated either in US dollars or Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate. As at 31 March 2008, total equity attributable to equity holders of the Company amounted to HK\$928,898,000.

As at 31 March 2008, the Group had net cash of HK\$299,865,000, representing total cash and cash equivalents less total interest-bearing bank and other borrowings such that no gearing ratio was presented. The Group's net cash position remained strong, which was mainly in line with the strong net operating cash inflow of HK\$228,762,000 generated during the Year.

## Treasury Policies

The majority of the Group's sales and purchases are denominated in US dollar and Hong Kong dollar. Due to the fact that the Hong Kong dollar is pegged to the US dollar, the Group's exposure to foreign currency risk is low. Certain production and operating overhead of the Group's production facilities in Mainland China are denominated in RMB. During the Year, the Group entered into forward contract with a licensed bank in Hong Kong to reduce its exposure of RMB appreciation in this respect.

## Capital Expenditure and Commitments

During the Year, the Group incurred total capital expenditure amounting to approximately HK\$155,881,000 of which approximately HK\$50,464,000 were spent for addition of property, plant and equipment and deferred expenditure, HK\$2,665,000 and HK\$102,752,000 were applied in the acquisition of minority interest in Salus Controls Plc and investments in and repayment of shareholder's loan of AEHK respectively.

In April 2007, the Group completed the acquisition of 45% equity interest in Salus Controls Plc from its minority shareholders and thus increasing its equity interest in Salus Controls Plc to 100%. Salus Controls Plc principally distributes the 'Salus' brand products of building and home controls segment in the European market.

In August 2007, the Group completed the acquisition of 100% equity interest in AEHK which in turn owns 100% equity interest in Asia Electronics Technologies (Dongguan) Company Limited. AEHK Group principally designs, manufactures and markets electronic controls for air-conditioners, major appliances and industrial and spa and pool products, and has established an extensive customer network spanning Europe, Asia, Middle East and Australia.

As at 31 March 2008, the Group had capital commitments of HK\$12,788,000 and HK\$5,038,000, which represented commitment contracted but not provided for in respect of the establishment of a joint venture operation and commitment authorized but not contracted for in respect of investment in a subsidiary respectively. Furthermore, the Group had commitments contracted but not provided for mainly in respect of acquisition of property, plant and equipment of HK\$2,191,000.

### Contingent Liabilities

As at 31 March 2008, the Group did not have significant contingent liabilities.

### Employee Information

As at 31 March 2008, the Group had a total of approximately 4,900 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company has also adopted a share option scheme under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Up to the date of this annual report, 3,048,000 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 2008, approximately HK\$106,250,000 were utilised for strategic business combination and acquisitions, approximately HK\$5,614,000 for the expansion of distribution network, approximately HK\$44,176,000 for the repayment of bank borrowings and approximately HK\$44,176,000 for general corporate purposes, and the remaining balance of the net proceeds was placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.

## Business Partners and Customers

We seek to establish and maintain a long-term relationship with our business partners based on integrity and ethical business practices. To boost customer loyalty and satisfaction, we have a strong focus on maintaining high quality standards and enhancing product design for reliability. Computime Group Limited and its subsidiaries (the "Group") strive to achieve its quality goals including zero defect and have an ongoing drive to exceed customer's expectations. As an ISO 9001/9002 and QS 9000 certified manufacturer, we adhere to Total Quality Management throughout the product life cycle and provide trainings to our workers to understand our quality commitment and become part of the total quality solution.

Throughout the years, the Group has been receiving awards from its customers, attesting its efforts to strive for excellence to exceed customer's expectations. Moreover, our 'Salus' branded products won two industrial awards namely 2007 TOP PRODUCTS AWARD by Professional Electrician and Installer Magazine in United Kingdom as well as The INDUSTRIEPREIS 2008 (industrial awards) presented at the Hannover Fair in Germany. These awards affirm the Group's rapid emergence as a respected global electronic control and energy management specialist, delivering safe, dependable and environmentally responsible products trusted by professionals.

## Employees

The Group has equal opportunity policies to ensure employee well-being and satisfaction. We have a safe working environment and provide our employees with safety training, regular medical check-ups, health insurance coverage as well as updates on important health issues such as the avian flu. We also pursue an open and respectable corporate culture that encourages discussions and collaboration between employees. To enhance team spirit and foster networking of our staff in Hong Kong and Mainland China, we arrange various recreational activities and departmental gatherings on a regular basis, inviting the colleagues from different regions to join. This year, we continued participating in the 'Corporate Challenge' of Outward Bound Hong Kong and organized social gatherings such as fun day and basket ball competition.

## Community

The Group endeavours to strengthen its commitment to the communities in which we operate. We have been playing an active role in creating learning opportunities for young people and caring for the needy to bridge social gaps.

Being named a 'Caring Company' since 2002, the Group continues to build ties with the society by active participation in community services and social voluntary activities as well as sponsorships and donations. During the year, we collaborated with H.K.S.K.H. St. Christopher's Home as well as local universities and secondary schools to organize internship and skill development programs for students, helping them gain hands-on workplace experience and pursue their career goals.

## CORPORATE SOCIAL RESPONSIBILITIES

Our staff is always encouraged to participate in community services and charitable activities to build up a sense of social responsibility and good citizenship. Over the past year, we supported the 'Project for New Arrivals' activities organized by H.K.S.K.H. St. Christopher's Home, which included joining the Music Farm visit and Chinese Lunar New Year party with the new arrival of children and their families, with the aim of cultivating a sense of integration into the society. We also visited the Wong Tai Sin District Elderly Community Centre, showing our care to the elderly.

### Environment

The Group takes a responsible and caring attitude towards the preservation of environment, conservation of resources and recycling of reusable materials. We comply with applicable laws and regulations on environmental protection and have put continuous efforts in minimizing hazardous environmental impact in our product development and manufacturing process. Our Environmental Policy Team conducts rigorous audits to ensure commitment and compliance of environmental standards.

## Directors

### Executive Directors

#### **Auyang Ho**, aged 76

Mr. Auyang is an executive Director, the Chairman of the Board and the chairman of both the executive committee and 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 the father of Mr. Auyang Pak Hong, Bernard, our Chief Executive Officer. He co-founded the Group in 1974 and was our Chief Executive Officer until 2003. 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 China Ministry of Railways. 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, Chief Operating Officer and senior management and provides guidance on management issues.

#### **Auyang Pak Hong, Bernard**, aged 40

Mr. Auyang is an executive Director, the Chief Executive Officer, a member of the executive committee and the chairman of the nomination committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, he is a director and a shareholder of Solar Power Group Limited, the controlling shareholder of the Company. He is a son of Mr. Auyang Ho, the Chairman of the Company. Mr. Auyang is responsible for developing and implementing the Group's strategic objectives and business plans. Mr. Auyang obtained a degree of Bachelor of Arts magna cum laude in East Asian Studies and Economics from Harvard University in 1991. Upon his graduation, Mr. Auyang joined the Group and gained the requisite experience for his present role. Mr. Auyang was a recipient of the Young Industrialist Awards of Hongkong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2003. Apart from his business interests, Mr. Auyang is also an active member of the community, holding posts including chapter chair of the Young Presidents' Organization, vice chairman of the Hong Kong-America Center, vice chairman of St. Paul's Co-Educational College Landmark Fundraising Campaign, trust member of the Outward Bound School, member of the Hong Kong Young Industrialists Council and a committee member of Hong Kong Trade Development Council's Electronics/Electrical Appliances Industries Advisory Committee.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

### **Choi Po Yee, Alice**, aged 41

Ms. Choi is an executive Director, the Chief Operating Officer, Qualified Accountant and a member of both the executive committee and remuneration committee of the Company. She is also a director of certain subsidiaries of the Company. Ms. Choi is responsible for overseeing the entire operations and general management of the Group. She joined the Group in 2001 as the vice president of the corporate development and planning division. She served as the Chief Financial Officer from 2003 to 2005 and became the Chief Operating Officer and a director of the Group in April 2005 and May 2005, respectively. Ms. Choi was appointed as the Qualified Accountant of the Company in April 2007. Ms. Choi graduated from The University of Hong Kong with a first class honors Bachelor's degree in Social Science and a Master's degree in Electronic Commerce and Internet Computing in 1989 and 2002, respectively. Ms. Choi is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a member of The Institute of Chartered Accountants in England and Wales. Prior to joining the Group, she worked for an international accounting firm and several listed companies in Hong Kong.

### **Non-Executive Directors**

#### **Kam Chi Chiu, Anthony**, aged 46

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 Oxford University in the United Kingdom. He qualified as a chartered accountant at one of the accounting firms in London and currently practises 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 serves as a consultant for IONA Technologies PLC, a company listed on NASDAQ, and as a director of Cheung Fung Technology (Holdings) Limited, a manufacturing and investment holding company. 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 67

Mr. Patel is a non-executive Director and a member of the audit committee of the Company. He 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. Mr. Patel was appointed as a non-executive Director of the Group in November 2005.



### **Wong Chun Kong**, aged 47

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 and cross-border joint ventures as well as large scale conveyancing projects under home ownership, private sector participation and tenants purchase schemes. He had served as a Deputy Adjudicator in 1998. He is a member of the Passports Appeal Board and an Adjudicator of the Registration of Persons Tribunal of Hong Kong Special Administrative Region. Mr. Wong is from 11 July 2008, a non-executive director in First China Financial Holdings Limited (Formerly known as International Financial Network Holdings Ltd.), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Wong was appointed as a non-executive Director of the Company in February 2008.

### **Independent Non-Executive Directors**

#### **Luk Koon Hoo**, aged 56, *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 and Wheelock Properties Limited (both companies listed on the main board of the Hong Kong Stock Exchange) and is an independent non-executive director of Wharf T&T Limited, AXA General Insurance Hong Kong Limited, PMI Mortgage Insurance Asia Limited and Octopus Cards Limited. In the public sphere, Mr. Luk is a non-official director of Hong Kong Applied Science and Technology Research Institute Company Limited (a government-owned corporation). Mr. Luk also serves as a council member and the treasurer of The Chinese University of Hong Kong, as a member of the Barristers Disciplinary Tribunal Panel and as a member of the Operations Review Committee of ICAC. Mr. Luk also served in the past on the Court and Council of Hong Kong Baptist University, the Advisory Committee on New Broad-based 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 and the Investor Education Advisory Committee of the Securities and Futures Commission. 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 and The Hong Kong Institute of Directors. 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.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

### **Patrick Thomas Siewert**, aged 52

Mr. Siewert is an independent non-executive Director and a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Siewert currently serves as a director for the Avery Dennison Corporation and on its ethics and conflict of interest committee and finance committee. He is also a senior 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 CEO Organization. Mr. Siewert is a recipient of several diversity awards and a United Nations IPC Lifetime Achievement Award. Mr. Siewert was appointed as an independent non-executive Director of the Company in September 2006.

### **Steven Julien Feniger**, aged 49

Mr. Feniger is an independent non-executive Director and a member of both the audit committee and remuneration committee of the Company. Mr. Feniger has years of international experience in sourcing, manufacturing and retailing and is based in Hong Kong. At the end of February 2006, he resigned from his corporate career and set up his own business and is a director of 55Consulting, providing services to companies designed to enhance their ability to source in Asia. Mr. Feniger currently also serves as a director of SSPartners Limited, a company incorporated in Hong Kong, and as a non-executive director of Arc Capital Holdings Limited, a company listed on the Alternative Investment Market of the London Stock Exchange. Since 1 August 2007, Mr. Feniger became an independent non-executive director of Item Industries Limited. Prior to joining the Company, Mr. Feniger served as a chief executive officer and an executive director of Linmark Group Limited and led the company to a successful initial public offering on the main board of the Hong Kong Stock Exchange in May 2002. Mr. Feniger was a former senior vice president of global sourcing at Warnaco Inc. from 1999 to 2001, where he led the strategic management of three standalone Asian operations (sourcing, manufacturing and retailing). He had served Marks & Spencer Plc for some years. Mr. Feniger holds a Bachelor's degree in Management Science from The University of Manchester Institute of Science and Technology. Apart from his business interests, Mr. Feniger is an active member of the Young Presidents' Organization, and is a member of the Hong Kong Membership Committee. Mr. Feniger was appointed as an independent non-executive Director of the Company in September 2006.

## Senior Management

### **Billy Gene Patton**, aged 56

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 50

Mr. Ha is the vice president of the research and development division 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.

### **Chan Chi Ming**, aged 56

Mr. Chan is the Vice President of the Professional Controls Division of the Group. He joined us in July 2005 and is responsible for the overall management of our appliance controls business. Since March 2008, Mr. Chan has taken up increased responsibilities for our heating, ventilation & air-condition business and commercial, industrial & medical business. Mr. Chan has over 30 years of experience in sales and marketing and general management. He previously held a senior position at Emerson Electric and was responsible for sales and marketing and operations of a division in Asia. Mr. Chan obtained a Certificate in Executive Management from Stanford University, U.S. and National University of Singapore and a Diploma in Management and a Certificate in Mechanical Engineering from The Hong Kong Polytechnic University.

### **Sham Ting Kee**, aged 47

Mr. Sham is the vice president of operations at the production facilities of the Group in Buji. He has been with the Group since 2000 and is responsible for managing the affairs of the manufacturing operations in Buji and overseeing expansion plans and requirements for factory and production facilities of the Group. Prior to joining us, he worked in WKK Technology Limited for eight years, concluding his tenure there as an assistant general manager. He has extensive experience in production, supervision and technical support of our controls products. Mr. Sham graduated from The Hong Kong Polytechnic University with a Higher Diploma in Production and Industrial Engineering in 1984.

## DIRECTORS' AND SENIOR MANAGEMENT'S PROFILE

### **Lam Hin Chi**, aged 44

Mr. Lam is the vice president of finance. Mr. Lam is a fellow member of the Association of the Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants and the Institute of the Chartered Accountants in English and Wales, in the U.K. and the Hong Kong Institute of Certified Public Accountants. Mr. Lam graduated from the Hong Kong Polytechnic University with a Professional Diploma in Management Accountancy and Bachelor of Arts (Honours) Degree in Accountancy. Prior to joining us in July 2007, he had over 18 years of experience in finance, auditing and accounting and had worked for an international accounting firm and several listed companies in Hong Kong.

### **Phillip John Stevens Cox**, aged 62

Mr. Cox is the President of Computime Limited's Branded Products Division. This includes CT Global Inc., a wholly-owned subsidiary of the Group in the U.S., and Salus Controls Plc and Salus Controls GmbH, both wholly-owned subsidiaries of the Group in Europe. Mr. Cox joined us in 2001. He is responsible for the performance of our branded businesses, including 'One For All' and 'SALUS', while providing strategic direction to our distribution and marketing businesses in North America, Europe and Asia. Mr. Cox obtained his Bachelor's degree from The University of New South Wales, Australia in 1966. Mr. Cox's business career cuts across a range of vertical sectors including industrial, commercial and consumer markets, and has managed business units for companies in North America, Europe and Asia.

### **Lam Shuk Yin**, aged 44

Ms. Lam is the general manager of corporate development and planning of the Group. Ms. Lam joined us in 1997 as marketing director and was promoted as general manager of the appliance controls division in 2004. She began handling our corporate programs including lean manufacturing and supply chain management in January 2006 and became our general manager of corporate development and planning in April 2006. Ms. Lam has more than 19 years of experience in manufacturing engineering, operation management, supplier & material management, sales and marketing. She obtained a Master's degree in Business Administration from the University of Western Sydney, Australia in 2004.

### **Tan Bak Chai**, aged 45

Mr. Tan is the general manager of operations for the Meilin Processing Factory of the Group in Shenzhen and the factory of Asia Electronics Technologies (Dongguan) Company Limited, a wholly-owned subsidiary of the Company, in Dongguan. He joined us in May 2006 and is responsible for the overall management of both factories. Mr. Tan has more than 20 years of experience in engineering, marketing and sales and manufacturing operations. He held various key positions in multi-national companies including Plexus, Jabil Circuit and Trane. He obtained a Bachelor's degree in Mechanical Engineering from University of Technology in Malaysia in 1986 and a Master's degree in Business Administration from University of Macau in 1990.

### **Law Cheuk Chau**, aged 47

Mr. Law is the General Manager of the Materials & Logistics Management Division of the Group. He joined us in June 2008 and is responsible for all materials related functions including PMC, purchasing, warehouse and customs in Shenzhen. Mr. Law has over 20 years of experience in logistics and supply chain management. He held various key positions in RT Sourcing and a number of reputable manufacturing companies. He obtained a Master's degree in Technology Management from The Hong Kong University of Science and Technology in 2003.

### **Ho Wai Har, Esther**, aged 44

Ms. Ho joined the Group in 1998 and was appointed as General Manager of Enertech Group and General Manager — Asia Operations of Salus Technology Group in April 2008. She is responsible for the overall strategy and development of smart energy products for the Group and new product sourcing and development for the branded business, 'SALUS', in Europe. Prior to joining us, she worked as manager for sales and project management in WKK Technology Limited and as sales and marketing manager in two of the subsidiaries of China Aerospace International Holdings Limited. Ms. Ho graduated from City Polytechnic of Hong Kong (now known as City University of Hong Kong) in 1988 with a Bachelor's degree in Business Studies and obtained a Master's degree in Business from University of Technology, Sydney in 1993.

### **Wong Ka Ming, Adrian**, aged 42

Mr. Wong is the General Manager of the Home Controls division based in Hong Kong of the Group. He joined us in April 2008 and is responsible for the overall management of the sales and technology aspects of our home controls products. Mr. Wong has more than 17 years of experience in marketing, sales, project management and engineering. He had worked in Hong Kong Philips for more than 12 years, during which he held various key positions in the Components and Consumer Electronics divisions. He obtained a Bachelor's degree in Engineering Science from the University of Western Ontario, Canada in 1990.

### **Tsang Keung**, aged 40

Mr. Tsang is the General Manger of the Appliance Controls Division of the group based in Hong Kong. He joined us since 8 November 2004 as Marketing Director and now is responsible for overall management for our Appliance Controls business. Mr. Tsang has more than 18 years of experience in sale and marketing. He has extensive regional marketing experience in commercial and industrial products and held various key regional positions in multi-national companies including 3M and Emerson. Mr. Tsang graduated from the University of East Asia, Macau (now known as the University of Macau) in 1989 with a Bachelor's degree in Business Administration. He obtained a Master's degree in Business Administration from the Open University of Hong Kong in 2000. He also obtained the Graduate Diploma in Marketing from the Chartered Institute of Marketing, UK in 1994 and was qualified as the Certified Professional Marketer of Asia Pacific Marketing Federation in 1998.

### **Soon Yuk Tai**, aged 42

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. Ms. Soon is a Chartered Secretary and an Associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Up till present, apart from the Company, Ms. Soon has been providing professional secretarial services to many listed companies.

# REPORT OF THE DIRECTORS

The board of directors (the "Board") is pleased to present this report together with the audited consolidated financial statements of Computime Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2008.

## Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of 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 2008 and state of affairs of the Company and the Group as at that date are set out in the sections headed "Consolidated Income Statement", "Balance Sheet" and "Consolidated Balance Sheet" respectively in this annual report.

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 8 September 2008 (the "2008 AGM") a final dividend of HK\$0.028 per share for the year ended 31 March 2008 to be paid on or about 9 October 2008 to those shareholders whose names appear on the register of members of the Company on 8 September 2008. Taking account of the interim dividend of HK\$0.022 per share for the six months ended 30 September 2007 and the above proposed final dividend, total dividend per share for the year ended 31 March 2008 is HK\$0.050.

## Closure of Register of Members

The register of members of the Company will be closed from Thursday, 4 September 2008 to Monday, 8 September 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2008 and for attending and voting at the 2008 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 Wednesday, 3 September 2008.

## 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 31 to the financial statements respectively.

## Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$458,000.

## 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 29 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company as at 31 March 2008, calculated in accordance with statutory provisions applicable in the Cayman Islands, amounted to HK\$779,549,000 (excluding the proposed final dividend of HK\$23,240,000).

## Bank Borrowings

Particulars of the bank borrowings of the Group as at the balance sheet date are set out in note 25 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 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 2008.

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

#### Non-executive Directors:

Mr. Kam Chi Chiu, Anthony  
Mr. Arvind Amratlal Patel  
Mr. Wong Chun Kong (appointed on 4 February 2008)  
Mr. Wong Ying Ho, Kennedy (resigned on 4 February 2008)

#### Independent Non-executive Directors:

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

In accordance with article 86(3) of the articles of association of the Company (the "Articles"), Mr. Wong Chun Kong, who was appointed as a non-executive director by the Board on 4 February 2008 to fill the casual vacancy arising from the resignation of Mr. Wong Ying Ho, Kennedy, will retire at the 2008 AGM. In addition, pursuant to article 87 of the Articles, Mr. Auyang Pak Hong, Bernard, Mr. Kam Chi Chiu, Anthony and Mr. Steven Julien Feniger will retire from office by rotation at the 2008 AGM.

All the above retiring directors, being eligible, will offer themselves for re-election at the 2008 AGM.

### Independence Confirmation

The Company has received annual confirmations of independence from Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Steven Julien Feniger, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of these independent non-executive directors to be independent as at the date of this report.



### Directors' Service Contracts

Each of the executive directors of the Company entered into a service agreement with the Company on 15 September 2006 for an initial term of three years commencing from 9 October 2006 unless and until terminated by either party giving to the other not less than three months' prior notice in writing.

The Company has issued respective letters of appointment to the non-executive directors and independent non-executive directors of the Company. The current term of appointment covered by the existing letters of appointment (except for Mr. Wong Chun Kong) is from 14 September 2007 to 8 October 2009. The current term of appointment covered by the letter of appointment issued to Mr. Wong Chun Kong is from 4 February 2008 (date of his appointment) to 8 October 2009. The appointment of all the non-executive directors and independent non-executive directors shall be terminable by two months' prior notice in writing given by either party.

Save as disclosed above, none of the directors being proposed for re-election at the 2008 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 38 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 "Directors' and Senior Management's Profile" 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 38(d) 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 2008, the interests of the directors of the Company in the shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("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:

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

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

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

Save as disclosed above, as at 31 March 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2008.

#### Directors' Rights to Acquire Shares

Save as disclosed in note 30 to the financial statements about the Company's share option scheme, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies 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 2008, the following persons (other than the directors and chief executives of the Company) had interests of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Long position in the shares of the Company

Name	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
SPGL	Beneficial owner	352,500,000 (Note 1)	42.46%
Ms. Tse Shuk Ming	Interest of spouse	352,500,000 (Note 2)	42.46%
Crystalplaza Limited	Beneficial owner	133,500,000 (Note 3)	16.08%
Little Venice Limited	Beneficial owner	52,500,000 (Note 3)	6.32%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	186,000,000 (Note 3)	22.40%
Mr. Heung Lap Chi, Eugene	Interest of spouse	186,000,000 (Note 4)	22.40%
Martin Currie (Holdings) Limited	Interest of controlled corporations	42,136,000 (Note 5)	5.08%

#### 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 held by Martin Currie Inc. (as to 18,176,000 shares) and Martin Currie Investment Management (as to 23,960,000 shares), both were controlled corporations of Martin Currie Ltd., which in turn was a controlled corporation of Martin Currie (Holdings) Limited.

## REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 March 2008, no person, other than the director of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company 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 30 to the financial statements.

Pursuant to the Share Option Scheme, options over 3,648,000 shares had been granted to eligible participants. No share options have been granted to the directors of the Company under the Share Option Scheme.

Particulars of share options of the Company for the year ended 31 March 2008 are set out in the table below.

Type of participants	Date of grant	Number of share options					As at 31 March 2008	Exercise period	Exercise price per share
		As at 1 April 2007	Granted during the year	Exercised/ cancelled during the year	Lapsed during the year				
Employees in aggregate	27-09-2007	—	1,216,000	—	(140,000)	1,076,000	31-08-2008 to 30-08-2017	HK\$1.75	
	27-09-2007	—	1,216,000	—	(140,000)	1,076,000	31-08-2009 to 30-08-2017	HK\$1.75	
	27-09-2007	—	1,216,000	—	(140,000)	1,076,000	31-08-2010 to 30-08-2017	HK\$1.75	
Total:		—	3,648,000	—	(420,000)	3,228,000			

*Note: The vesting period of the share options granted is from the date of grant until the commencement of the exercise period.*

The closing prices of the Company's shares immediately before the date of offer and the date of grant were HK\$1.70 and HK\$1.50 respectively.

### 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 purchases and sales for the year ended 31 March 2008 attributable to the Group's major suppliers and customers are as follows:

### Sales

- the largest customer: 16%
- five largest customers combined: 46%

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.

None of the 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.

## Directors' Interest in Competing Business

As at 31 March 2008, 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

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. 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 throughout the year ended 31 March 2008. Further information on the Company's corporate governance practices is 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, Mr. Patrick Thomas Siewert and Mr. Steven Julien Feniger and two non-executive directors of the Company, namely Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel, has reviewed the audited financial statements of the Company for the year ended 31 March 2008 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.

### Connected Transaction and Continuing Connected Transaction

In addition to the connected transaction detailed in the financial statements, the Group had the following continuing connected transaction during the year:

During the year ended 31 March 2008, the Group has conducted the following transaction with Kingdom Fine Metal Limited ("KFM"), which constituted a "continuing connected transaction" under the Listing Rules. Details of such transaction as required to be disclosed pursuant to the Listing Rules are set out below.

On 18 September 2006, an agreement was entered into between Computime Limited, a wholly-owned subsidiary of the Company, and KFM in respect of the Group's purchases of metal and related components from KFM (the "KFM Agreement"). Under the KFM Agreement, KFM has agreed for a term ending on 31 March 2009 that terms (including prices) upon which materials are provided to the Group shall be on terms no less favourable than those offered to third parties, having regard to the nature, volume and types of materials required.

As KFM is a substantial shareholder (holding 40% interest) of Marcus-Plus International Ltd., a non wholly-owned subsidiary of the Company (holding the remaining 60% interest), KFM is considered as a connected person of the Company pursuant to the Listing Rules. Therefore the transaction under the KFM Agreement constitutes a continuing connected transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules.

The values of purchases under the KFM Agreement are expected not exceeding HK\$3,800,000, HK\$5,130,000 and HK\$6,670,000 for the years ended/ending 31 March 2007, 2008 and 2009 respectively.

The Stock Exchange has granted a waiver to the Company from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the transaction contemplated under the KFM Agreement, provided that the annual caps stated above are not exceeded and the Company complies with other requirements of Chapter 14A of the Listing Rules.

The value of the transaction under the KFM Agreement for the year ended 31 March 2008 was HK\$305,000.

The independent non-executive directors of the Company have reviewed and confirmed that the transaction under the KFM Agreement for the year ended 31 March 2008 has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than those offered to independent third parties; and (iii) in accordance with the KFM Agreement on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The auditors of the Company have also confirmed that the transaction under the KFM Agreement for the year ended 31 March 2008 (i) has received the approval of the Board; (ii) has been entered into in accordance with the KFM Agreement; and (iii) has not exceeded the annual cap of HK\$5,130,000.

### 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 date 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 2008 AGM.

## 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, 14 July 2008

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2008.

## 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 Company and its subsidiaries (the "Group"), the cornerstone of which is to have an experienced and committed Board, effective internal control and to enhance its transparency and accountability to shareholders.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 March 2008. To go further, the Company has also complied with certain recommended best practices set out in the CG Code during the year under review.

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:

### A. The Board

#### A.1 *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 acts 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.

#### *A.2 Board Composition*

The Board currently comprises nine members in total, with three 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 with at least one independent non-executive director possessing appropriate professional qualifications and accounting and related financial management expertise. The Company has also adopted the recommended best practices under the CG Code for having one-third of its Board members being independent non-executive directors and maintaining on its website an updated list of its directors identifying their roles and functions.

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 relationships among the members of the Board are disclosed under the section headed "Directors' and Senior Management's Profile" 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.

### A.3 *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 Mr. Auyang Pak Hong, Bernard, 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 and have also been stated in the Company's Corporate Governance Report for the last year ended 31 March 2007.

### A.4 *Appointment and Re-Election of Directors*

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "Articles"). 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" section below.

Each of the executive directors of the Company is engaged on a service contract with the Company for an initial term of three years commencing on 9 October 2006. The Company has 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 (except for Mr. Wong Chun Kong) is from 14 September 2007 to 8 October 2009. The current term of appointment of Mr. Wong Chun Kong, a non-executive director of the Company, is from 4 February 2008 (date of his appointment) to 8 October 2009.

In addition, in accordance with the Articles, 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 appointment.

### A.5 *Induction and Continuing Development for Directors*

Each newly appointed director of the Company, including Mr. Wong Chun Kong who was appointed during the year ended 31 March 2008, 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 the "Non-statutory Guidelines on Directors' Duties" published by the Hong Kong Companies Registry to its directors and encourages them to read such Guidelines 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.

## A.6 Board Meetings

### A.6.1 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, Chief Operating 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 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.

### A.6.2 Directors' Attendance Records in Board Meetings

The Board has met regularly during the year ended 31 March 2008 at approximately quarterly intervals for reviewing and discussing on the financial and operating performance of the Group and other related matters. Apart from the four regular Board meetings, the Board also held an additional Board meeting during the year in respect of the resignation Mr. Wong Ying Ho, Kennedy and the appointment of Mr. Wong Chun Kong as a director of the Company. The attendance records of each director at these five Board meetings are set out below:

Name of Director	Attendance/ Number of Regular Board Meetings	Attendance/ Number of Other Board Meetings
<i>Executive directors</i>		
Mr. Auyang Ho	4/4	1/1
Mr. Auyang Pak Hong, Bernard	4/4	1/1
Ms. Choi Po Yee, Alice	4/4	1/1
<i>Non-executive directors</i>		
Mr. Kam Chi Chiu, Anthony	3/4	1/1
Mr. Arvind Amratlal Patel	4/4	0/1
Mr. Wong Ying Ho, Kennedy ( <i>Note 1</i> )	1/3	0/1
Mr. Wong Chun Kong ( <i>Note 2</i> )	1/1	N/A
<i>Independent non-executive directors</i>		
Mr. Luk Koon Hoo	4/4	1/1
Mr. Patrick Thomas Siewert	4/4	1/1
Mr. Steven Julien Feniger	4/4	1/1

*Notes:*

1. Mr. Wong Ying Ho, Kennedy resigned as a non-executive director of the Company on 4 February 2008. Before his resignation, four Board meetings were held during the year ended 31 March 2008.
2. Mr. Wong Chun Kong was appointed as a non-executive director of the Company on 4 February 2008. Subsequent to his appointment, one Board meeting was held during the year ended 31 March 2008.

In addition to the above Board meetings, two Board meetings were held for the year ended 31 March 2008. As these Board meetings related to the day-to-day business operation of the Group, only the three executive directors of the Company attended the meetings.

### A.7 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 for Securities Transactions by Directors of Listed Issuers (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 has notified its directors and relevant employees in respect of the restricted period on the dealings in the Company's securities.

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 2007 (and for Mr. Wong Chun Kong, the date of appointment) to the date of this report. Mr. Wong Ying Ho, Kennedy has also confirmed his compliance of the Model Code and the Own Code for the period from 1 April 2007 to the date of his resignation.

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 2007 to the date of this report.

## B. Board Committees

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" 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 in A.6.1 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.

### B.1 Remuneration Committee

The Remuneration Committee comprises a total of five members, being two executive directors, namely, Mr. Auyang Ho and Ms. Choi Po Yee, Alice and three independent non-executive directors, namely, Mr. Luk Koon Hoo, Mr. Patrick Thomas Siewert and Mr. Steven Julien Feniger. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Auyang Ho.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures 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, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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 2008, the Remuneration Committee has met twice and performed the following major works:

- Review and recommendation of adoption of a policy for the Company's granting of share options;
- Adoption of remuneration approval procedures and process;

- Review and recommendation of the remuneration packages of directors of the Company and of chief officers and senior management of the Group;
- Recommendation of performance-based remuneration and bonus for chief officers and senior management of the Group; and
- Review and recommendation of the terms set out in the directors' service contracts and letters of appointment.

Details of the remuneration of each director of the Company for the year ended 31 March 2008 are set out in note 8 to the financial statements contained in this annual report.

The attendance records of the above two Remuneration Committee meetings are set out as follows:

Name of Remuneration Committee Member	Attendance/ Number of Meetings
Mr. Auyang Ho ( <i>Chairman</i> )	2/2
Ms. Choi Po Yee, Alice	2/2
Mr. Luk Koon Hoo	2/2
Mr. Patrick Thomas Siewert	2/2
Mr. Steven Julien Feniger	2/2

#### B.2 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. Steven Julien Feniger 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 main 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 2008, the Audit Committee met four times together with 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 2007 and for the six months ended 30 September 2007, 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;
- Recommendation of the setting up of an internal audit team and considering the internal audit plan and report;

- Review and confirmation of the Company's Continuing Connected Transactions for the year ended 31 March 2007 pursuant to the Listing Rules; and
- Review of the scope of audit work, auditors' fees and terms of engagement and recommendation of re-appointment of auditors for the year ended 31 March 2008.

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.

The attendance records of the above four Audit Committee meetings are set out as follows:

Name of Audit Committee Member	Attendance/ Number of Meetings
Mr. Luk Koon Hoo ( <i>Chairman</i> )	4/4
Mr. Patrick Thomas Siewert	4/4
Mr. Steven Julien Feniger	4/4
Mr. Kam Chi Chiu, Anthony	3/4
Mr. Arvind Amratlal Patel	4/4

### B.3 *Nomination Committee*

Pursuant to the recommended best practice of the CG Code, the Company has established a Nomination Committee. The Nomination Committee comprises a total of three members, being one executive director, namely, Mr. Auyang Pak Hong, Bernard and two independent non-executive directors, namely, Mr. Luk Koon Hoo and Mr. Patrick Thomas Siewert. Accordingly, the Company has complied with the recommended best practice of the CG Code in having a majority of the Committee members being independent non-executive directors. The chairman of the Nomination Committee is Mr. Auyang Pak Hong, Bernard.

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 2008, the Nomination Committee has met twice 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 existing independent non-executive directors;
- Recommendation of the re-appointment of those retiring directors at the 2007 annual general meeting of the Company; and
- Considering and recommendation of the appointment of Mr. Wong Chun Kong as a non-executive director to fill the casual vacancy arising from the resignation of Mr. Wong Ying Ho, Kennedy.

In accordance with article 86(3) of the Articles, Mr. Wong Chun Kong will retire at the forthcoming 2008 annual general meeting of the Company (the "2008 AGM"). In addition, pursuant to article 87 of the Articles, Mr. Auyang Pak Hong, Bernard, Mr. Kam Chi Chiu, Anthony and Mr. Steven Julien Feniger will retire from office by rotation at the 2008 AGM. All the above retiring directors, being eligible, will offer themselves for re-election at the 2008 AGM. The Nomination Committee recommended the re-appointment of these four retiring directors at the 2008 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring directors pursuant to the Listing Rules requirements.

The attendance records of the above two Nomination Committee meetings are set out as follows:

<b>Name of Nomination Committee Member</b>	<b>Attendance/ Number of Meetings</b>
Mr. Auyang Pak Hong, Bernard ( <i>Chairman</i> )	2/2
Mr. Luk Koon Hoo	2/2
Mr. Patrick Thomas Siewert	2/2

#### B.4 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.

During the year ended 31 March 2008, a total of 14 Executive Committee meetings were held and all of the three executive directors of the Company have attended these meetings.

### C. 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 2008.

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.



## D. 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 2008. 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 of the Group on the adequacy and effectiveness of the internal control system and made recommendations to the Board, including the setting up of an internal audit team to monitor the internal control system, to facilitate effective and efficient operations, 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. Such internal audit team shall review and evaluate the control process and monitor any risk factors on a regular basis and report to the Audit Committee and the Board on any findings and measures to address the variances and identified risks.

## E. 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 2008 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 2008 and their corresponding remuneration is as follows:

Nature of services	Amount HK\$'000
Audit services	1,516
Non-audit services	
(i) Tax services	770
(ii) Due diligence and other advisory services	754
(iii) Services rendered in connection with the Company's interim report	110

## F. 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 at 17th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong or via email to [hq@computime.com](mailto:hq@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. At the 2007 annual general meeting, all of the afore-mentioned chairmen were present and that the meeting was conducted bilingually in English and Cantonese.

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.

### **G. 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.

Besides, the rights of shareholders and the procedures for demanding a poll on resolutions at shareholders’ meetings are contained in the Articles. Details of such rights are also included in all circulars sent to shareholders and, where necessary, explained in the shareholders’ meetings.

To enhance good governance practices of the Company, the Chairman of the Board exercised his right under the Articles to put all the resolutions proposed at the Company’s 2007 annual general meeting on poll voting. Poll results were announced and posted on the websites of the Company and of the Stock Exchange after such meeting.



18th Floor  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

## To the shareholders of Computime Group Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Computime Group Limited set out on pages 43 to 107, which comprise the consolidated and Company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

## INDEPENDENT AUDITORS' REPORT

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

### Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 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  
14 July 2008

# CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>REVENUE</b>	5	<b>2,274,075</b>	2,003,003
Cost of sales		<b>(1,909,321)</b>	(1,662,650)
Gross profit		<b>364,754</b>	340,353
Other income and gains	5	<b>25,988</b>	64,951
Selling and distribution costs		<b>(80,656)</b>	(79,638)
Administrative expenses		<b>(143,012)</b>	(131,351)
Other operating expenses		<b>(41,413)</b>	(6,145)
Finance costs	6	<b>(13,426)</b>	(20,121)
Share of profits and losses of associates		<b>4,765</b>	2,239
<b>PROFIT BEFORE TAX</b>	7	<b>117,000</b>	170,288
Tax	10	<b>(11,695)</b>	(12,101)
<b>PROFIT FOR THE YEAR</b>		<b>105,305</b>	158,187
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company	11	<b>105,351</b>	153,185
Minority interests		<b>(46)</b>	5,002
		<b>105,305</b>	158,187
<b>DIVIDENDS</b>	12	<b>41,500</b>	81,480
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
Basic	13	<b>12.7 HK cents</b>	21.6 HK cents
Diluted		<b>N/A</b>	N/A

# CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	187,462	175,167
Goodwill	15	38,164	1,744
Club debenture		705	705
Intangible assets	16	31,412	17,277
Interests in associates	18	9,376	5,607
Total non-current assets		267,119	200,500
<b>CURRENT ASSETS</b>			
Inventories	19	455,306	386,567
Trade receivables	20	471,724	406,752
Prepayments, deposits and other receivables	21	32,538	34,231
Amounts due from associates	18	6,827	18,060
Tax recoverable		160	30
Cash and cash equivalents	22	568,819	539,206
Total current assets		1,535,374	1,384,846
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	23	434,978	337,579
Other payables and accrued liabilities	24	116,206	98,337
Interest-bearing bank and other borrowings	25	228,098	252,837
Derivative financial instrument	26	34,358	—
Amounts due to minority shareholders		160	160
Tax payable		8,417	8,365
Total current liabilities		822,217	697,278
<b>NET CURRENT ASSETS</b>		<b>713,157</b>	687,568
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> (to be continued)		<b>980,276</b>	888,068

## CONSOLIDATED BALANCE SHEET

31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> (continued)		<b>980,276</b>	888,068
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	25	<b>40,856</b>	20,577
Deferred tax liabilities	28	<b>9,631</b>	5,006
Total non-current liabilities		<b>50,487</b>	25,583
Net assets		<b>929,789</b>	862,485
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	29	<b>83,000</b>	83,000
Reserves	31	<b>822,658</b>	746,627
Proposed final dividend	12	<b>23,240</b>	31,540
<b>Minority interests</b>		<b>928,898</b>	861,167
		<b>891</b>	1,318
Total equity		<b>929,789</b>	862,485

**Auyang Ho**  
Director

**Auyang Pak Hong, Bernard**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

## Attributable to equity holders of the Company

	Issued capital	Share premium*	Contributed surplus*	Share option reserve*	Exchange fluctuation reserve*	Retained profits*	Proposed final dividend	Total	Minority interests	Total equity
Notes	HK\$'000 (note 29)	HK\$'000 (note 29)	HK\$'000 (note 31(a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	83,000	386,419	1,879	—	3,072	355,257	31,540	861,167	1,318	862,485
Exchange realignment and total income and expense recognised directly in equity	—	—	—	—	11,530	—	—	11,530	—	11,530
Profit for the year	—	—	—	—	—	105,351	—	105,351	(46)	105,305
Total income and expense for the year	—	—	—	—	11,530	105,351	—	116,881	(46)	116,835
Acquisition of minority interests	33	—	—	—	—	—	—	—	(381)	(381)
Equity-settled share option arrangements	30	—	—	650	—	—	—	650	—	650
Final 2007 dividend paid	—	—	—	—	—	—	(31,540)	(31,540)	—	(31,540)
Interim 2008 dividend paid	12	—	—	—	—	(18,260)	—	(18,260)	—	(18,260)
Proposed final 2008 dividend	12	—	—	—	—	(23,240)	23,240	—	—	—
At 31 March 2008	83,000	386,419	1,879	650	14,602	419,108	23,240	928,898	891	929,789

## Attributable to equity holders of the Company

	Issued capital	Share premium*	Contributed surplus*	Exchange fluctuation reserve*	Retained profit*	Proposed final dividend	Total	Minority interests	Total equity
Notes	HK\$'000 (note 29)	HK\$'000 (note 29)	HK\$'000 (note 31(a))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	—	—	1,879	(94)	283,552	15,000	300,337	—	300,337
Exchange realignment and total income and expense recognised directly in equity	—	—	—	3,166	—	—	3,166	38	3,204
Profit for the year	—	—	—	—	153,185	—	153,185	5,002	158,187
Total income and expense for the year	—	—	—	3,166	153,185	—	156,351	5,040	161,391
Capitalisation issue	29(e)	60,000	(60,000)	—	—	—	—	—	—
Issue of shares	29(f)	23,000	501,400	—	—	—	524,400	—	524,400
Share issue expenses	—	(54,981)	—	—	—	—	(54,981)	—	(54,981)
Acquisition of minority interests	33	—	—	—	—	—	—	598	598
Dividend paid to a minority shareholder	—	—	—	—	—	—	—	(4,320)	(4,320)
Final 2006 dividend paid	—	—	—	—	—	(15,000)	(15,000)	—	(15,000)
Special 2007 dividend paid	12	—	—	—	(35,000)	—	(35,000)	—	(35,000)
Interim 2007 dividend paid	12	—	—	—	(14,940)	—	(14,940)	—	(14,940)
Proposed final 2007 dividend	12	—	—	—	(31,540)	31,540	—	—	—
At 31 March 2007	83,000	386,419	1,879	3,072	355,257	31,540	861,167	1,318	862,485

\* These reserve accounts comprise the consolidated reserves of HK\$822,658,000 (2007: HK\$746,627,000) in the consolidated balance sheet.



# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>117,000</b>	170,288
Adjustments for:			
Bank interest income	5	<b>(12,587)</b>	(33,506)
Gain on disposal of associates	5	—	(10,065)
Loss/(gain) on disposal of items of property, plant and equipment, net	5, 7	<b>618</b>	(9,667)
Fair value loss on derivative financial instrument	7	<b>34,358</b>	—
Finance costs	6	<b>13,426</b>	20,121
Depreciation	7	<b>36,095</b>	29,613
Recognition of prepaid land lease payments	7	—	106
Amortisation of deferred expenditure	7	<b>13,554</b>	18,404
Amortisation of other asset	7	—	1,276
Provision against inventories	7	<b>689</b>	8,564
Impairment of trade receivables	7	<b>135</b>	—
Equity-settled share option expenses	7	<b>650</b>	—
Share of profits and losses of associates		<b>(4,765)</b>	(2,239)
		<b>199,173</b>	192,895
Increase in inventories		<b>(24,603)</b>	(116,435)
Decrease/(increase) in trade receivables		<b>42,537</b>	(89,345)
Decrease/(increase) in prepayments, deposits and other receivables		<b>7,264</b>	(5,004)
Decrease/(increase) in amounts due from associates		<b>11,233</b>	(8,158)
Decrease in a derivative financial instrument		—	3,900
Increase in trade and bills payables		<b>48,547</b>	41,088
Increase/(decrease) in other payables and accrued liabilities		<b>2,096</b>	(20,055)
Decrease in amounts due to minority shareholders		—	(690)
		<b>286,247</b>	(1,804)
Cash generated from/(used in) operations		<b>286,247</b>	(1,804)
Hong Kong profits tax paid		<b>(3,492)</b>	(9,673)
Mainland China tax paid		<b>(4,193)</b>	—
Dividends paid		<b>(49,800)</b>	(114,940)
Dividend paid to a minority shareholder		—	(4,320)
		<b>228,762</b>	(130,737)
Net cash inflow/(outflow) from operating activities (to be continued)		<b>228,762</b>	(130,737)

# CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Net cash inflow/(outflow) from operating activities (continued)		<b>228,762</b>	(130,737)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>12,587</b>	33,506
Purchases of items of property, plant and equipment		<b>(22,184)</b>	(39,193)
Proceeds from disposal of items of property, plant and equipment and prepaid land lease payments		<b>900</b>	18,439
Additions to deferred expenditure	16	<b>(27,689)</b>	(17,953)
Dividend received from an associate		<b>996</b>	784
Acquisition of minority interests		<b>(2,665)</b>	(1,146)
Acquisition of subsidiaries	32	<b>(94,565)</b>	—
Proceeds from disposal of associates		<b>—</b>	11,700
Decrease/(increase) in non-pledged bank deposits with original maturity of more than three months when acquired		<b>15,500</b>	(15,500)
Net cash outflow from investing activities		<b>(117,120)</b>	(9,363)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	29(f)	<b>—</b>	524,400
Share issue expenses		<b>—</b>	(54,981)
New bank loans		<b>46,679</b>	24,279
(Decrease)/increase in trust receipt and packing loans		<b>(53,740)</b>	17,080
Repayment of bank loans		<b>(20,275)</b>	(28,920)
Capital element of finance lease rental payments		<b>(6,259)</b>	(6,525)
Interest paid	6	<b>(12,952)</b>	(19,320)
Interest element of finance lease rental payments	6	<b>(474)</b>	(801)
Net cash (outflow)/inflow from financing activities		<b>(47,021)</b>	455,212
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>502,965</b>	187,767
Effect of foreign exchange rate changes, net		<b>1,169</b>	86
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	22	<b>156,321</b>	139,491
Time deposits with original maturity of less than three months when acquired		<b>412,498</b>	384,215
Bank overdrafts	25	<b>(64)</b>	(20,741)
		<b>568,755</b>	502,965

# BALANCE SHEET

31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	17	550,276	511,878
<b>CURRENT ASSETS</b>			
Prepayment, deposits and other receivables	21	345	1,022
Cash and cash equivalents	22	336,854	353,245
Total current assets		337,199	354,267
<b>CURRENT LIABILITIES</b>			
Other payables and accrued liabilities	24	1,487	2,022
Tax payable		199	—
Total current liabilities		1,686	2,022
<b>NET CURRENT ASSETS</b>			
Net assets		885,789	864,123
<b>EQUITY</b>			
Issued capital	29	83,000	83,000
Reserves	31	779,549	749,583
Proposed final dividend	12	23,240	31,540
Total equity		885,789	864,123

**Auyang Ho**  
Director

**Auyang Pak Hong, Bernard**  
Director

# NOTES TO FINANCIAL STATEMENTS

31 March 2008

## 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 office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681 Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 17/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

## 2.1 Basis of Preparation and Consolidation

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, 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, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") 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 2008. 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 significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

## 2.2 Impact of New and Revised Hong Kong Financial Reporting Standards

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

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

The principal effects of adopting these new and revised HKFRSs are as follows:

### (a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

### (b) Amendment to HKAS 1 Presentation of Financial Statements — Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 40 to the financial statements.

### (c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

### (d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

## 2.2 Impact of New and Revised Hong Kong Financial Reporting Standards (continued)

### (e) HK(IFRIC)-Int 10 Interim Financial Reporting and impairment

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

### (f) HK(IFRIC)-Int 11 HKFRS 2 — Group and Treasury Share Transactions

This standard requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. This standard also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

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

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

HKFRS 2 Amendments	Share-based Payment — Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

Amendments to HKFRS 2 clarify the definition of “vesting conditions” and specify the accounting treatment of “cancellations” by the counterparty to a share-based arrangement.

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

HKFRS 3 (Revised) amended the definitions of a business and a business combination and additional guidance was added for identifying when a group of assets constitutes a business. It also clarifies how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination.

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

HKAS 1 has been revised to affect the presentation of owner changes in equity and comprehensive income. The revised standard will use "statement of financial position" and "statement of cash flows" to replace the titles "balance sheet" and "cash flow statement", and in making reference to these two statements within a complete set of financial statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to add new term "non-controlling interest" to replace the term "minority interest", and required the changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity measures any gain or loss arising on the loss of control of a subsidiary.

HKAS 32 and HKAS 1 Amendments permitted a range of entities to recognise their capital as equity rather than as financial liabilities, and required additional disclosures for puttable financial instruments classified as equity. The amendment reinforces that this is a limited scope exception to the definition of a financial liability and no analogies should be made to these requirements.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

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

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 "Employee Benefits", on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that except for the adoption of HKFRS 8 and HKAS 1 (Revised) which may result in new or amended disclosures, these new and revised HKFRSs are unlikely to 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 interests in subsidiaries 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 balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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 interests in associates. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

### Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.



## 2.4 Summary of Significant Accounting Policies (continued)

### Goodwill (continued)

The carrying amount of goodwill is reviewed 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Impairment of non-financial assets other than goodwill

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 each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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 impairment loss is credited to the income statement in the period in which it arises.

## 2.4 Summary of Significant Accounting Policies (continued)

### Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a member of the key management personnel of the Group;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

### 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 it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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:

Buildings	2%
Leasehold improvements	10%–33.3%
Furniture, fixtures and equipment	10%–33.3%
Tools and machinery	10%–33.3%
Motor vehicles	10%–33.3%
Moulds and tooling	20%

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 each balance sheet date.

## 2.4 Summary of Significant Accounting Policies (continued)

### Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment 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 sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are 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 balance sheet date.

#### *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 from one to three years, commencing from the date when the products are put into commercial production.

#### *Other asset*

Other asset, which represents expenditure incurred for the acquisition of the exclusive marketing right in connection with the products manufactured with a licensed trademark under a license agreement, is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over its economic life of five years.

### 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 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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in the other category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of the unlisted equity securities 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 securities are stated at cost less any impairment losses.

## 2.4 Summary of Significant Accounting Policies (continued)

### Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

#### *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### *Available-for-sale financial assets*

If an available-for-sale asset 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 transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through 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 where:

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

Where the Group has transferred its rights to receive cash flows from an asset and 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.

### Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and bills payables, other payables, amounts due to minority shareholders and interest-bearing bank and other borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

## 2.4 Summary of Significant Accounting Policies (continued)

### Financial liabilities at fair value through profit or loss (continued)

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

### 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.

### Derivative financial instruments

The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liability when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

### 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 cash flow statement, 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 balance sheets, 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 balance sheet date 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 is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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 tax authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date 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:

- where the deferred tax liability arises from goodwill or 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
- 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, 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
- 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.



## 2.4 Summary of Significant Accounting Policies (continued)

### Income tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (d) dividend income, when the shareholders' right to receive payment has been established.

### Share-based payment transactions

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 payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees 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 binomial model, further details of which are given in note 30 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

## 2.4 Summary of Significant Accounting Policies (continued)

### Share-based payment transactions (continued)

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, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, 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. 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.

### Other employee benefits

#### *Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

#### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those 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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Other employee benefits (continued)

#### *Pension schemes (continued)*

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 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.

### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

### 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 are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to 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 functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, 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

### Foreign currencies (continued)

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 the disclosure of contingent liabilities, at the reporting date. However, 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.

### Estimation uncertainty

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

#### (a) *Provision against slow-moving inventories*

Provision against slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the provision amount required involves management judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of inventories and provision charge/write-back 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.

### 3. Significant Accounting Judgements and Estimates (continued)

#### Estimation uncertainty (continued)

(c) *Impairment of financial assets or goodwill*

The Group determines whether a financial asset or 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 financial asset or goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the financial asset or 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 2008 was HK\$38,164,000 (2007: HK\$1,744,000). More details are given in note 15.

### 4. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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. Summary details of the business segments are 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 and trading 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.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further analysis of assets and capital expenditure of the Group by geographical segment is presented as over 90% of the Group's assets are located in Hong Kong and Mainland China.

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

# NOTES TO FINANCIAL STATEMENTS

31 March 2008

## 4. Segment Information (continued)

### (a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007:

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000 (Restated)	2008 HK\$'000	2007 HK\$'000
<b>Segment revenue:</b>								
Sales to external customers	1,096,133	944,465	860,754	775,541	317,188	282,997	2,274,075	2,003,003
<b>Segment results</b>	<b>97,735</b>	103,722	<b>44,931</b>	20,305	<b>27,737</b>	20,160	<b>170,403</b>	144,187
Bank interest income							12,587	33,506
Other income and gains (excluding bank interest income)							13,401	31,445
Corporate and other unallocated expenses							(70,730)	(20,968)
Finance costs							(13,426)	(20,121)
Share of profits and losses of associates	4,765	2,239	—	—	—	—	4,765	2,239
Profit before tax							117,000	170,288
Tax							(11,695)	(12,101)
Profit for the year							105,305	158,187
<b>Assets and liabilities</b>								
Segment assets	338,927	273,029	371,047	325,235	115,228	69,294	825,202	667,558
Interests in associates	16,203	23,667	—	—	—	—	16,203	23,667
Corporate and other unallocated assets							961,088	894,121
Total assets							1,802,493	1,585,346
Segment liabilities	20,515	31,580	23,498	29,222	1,072	2,686	45,085	63,488
Corporate and other unallocated liabilities							827,619	659,373
Total liabilities							872,704	722,861
<b>Other segment information:</b>								
Capital expenditures	33,614	29,174	12,188	16,172	7,327	12,946	53,129	58,292
Corporate and other unallocated amounts							102,752	—
Amortisation of deferred expenditure	7,216	9,223	3,496	5,085	2,842	4,096	13,554	18,404
Amortisation of other asset	—	1,276	—	—	—	—	—	1,276
Depreciation	20,142	15,811	10,452	9,051	5,501	4,751	36,095	29,613
Impairment of trade receivables	135	—	—	—	—	—	135	—
Provision against inventories	696	6,007	(240)	1,485	233	1,072	689	8,564

#### 4. Segment Information (continued)

##### (b) Geographical segments

The following table presents revenue information for the Group's geographical segments for the years ended 31 March 2008 and 2007:

	2008 HK\$'000	2007 HK\$'000
<b>Segment revenue:</b>		
Sales to external customers:		
The Americas	1,172,021	1,156,920
Europe	766,122	593,845
Asia	312,247	211,205
Other regions	23,685	41,033
<b>Total</b>	<b>2,274,075</b>	<b>2,003,003</b>

#### 5. Revenue, Other Income and Gains

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 and gains of the Group is as follows:

	2008 HK\$'000	2007 HK\$'000
Bank interest income	12,587	33,506
Engineering fee income	4,406	3,310
Handling and testing fee income	5,246	3,318
Sale of materials	952	1,722
Gain on disposal of associates	—	10,065
Gain on disposal of items of property, plant and equipment, net	—	9,667
Sundry income	2,797	3,363
	<b>25,988</b>	<b>64,951</b>

#### 6. Finance Costs

	Group	
	2008 HK\$'000	2007 HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	12,952	19,320
Finance leases	474	801
	<b>13,426</b>	<b>20,121</b>

# NOTES TO FINANCIAL STATEMENTS

31 March 2008

## 7. Profit Before Tax

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

	Notes	2008 HK\$'000	2007 HK\$'000
Cost of inventories sold*		<b>1,908,632</b>	1,654,086
Depreciation	14	<b>36,095</b>	29,613
Research and development costs:			
Amortisation of deferred expenditure <sup>^</sup>	16	<b>13,554</b>	18,404
Current year expenditure		<b>17,415</b>	27,190
		<b>30,969</b>	45,594
Amortisation of other asset <sup>^</sup>	16	—	1,276
Provision against inventories		<b>689</b>	8,564
Recognition of prepaid land lease payments		—	106
Minimum lease payments under operating leases of land and buildings		<b>33,739</b>	29,446
Loss/(gain) on disposal of items of property, plant and equipment		<b>618</b>	(9,667)
Auditors' remuneration		<b>1,516</b>	1,019
Employee benefits expense* (including directors' remuneration — note 8):			
Wages, salaries and other benefits		<b>188,999</b>	157,812
Pension scheme contributions		<b>1,831</b>	1,522
Provision for untaken paid leave		<b>309</b>	276
Equity-settled share option expense		<b>650</b>	—
		<b>191,789</b>	159,610
Foreign exchange differences, net <sup>#</sup>		<b>5,467</b>	6,115
Impairment of trade receivables <sup>#</sup>	20	<b>135</b>	—
Fair value loss on derivative financial instrument <sup>#</sup>	26	<b>34,358</b>	—

\* Employee benefits expense of HK\$110,181,000 (2007: HK\$90,177,000) are also included in "Cost of inventories sold" above.

<sup>^</sup> The amortisation of deferred expenditure and other asset for the year are included in "Administrative expenses" on the face of the consolidated income statement.

<sup>#</sup> Included in "Other operating expenses" on the face of the consolidated income statement.

At 31 March 2008, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2007: Nil).



## 8. Directors' Remuneration

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Fees	1,110	946
Other emoluments:		
Salaries, allowances and benefits in kind	7,150	6,383
Bonuses*	500	2,400
Pension scheme contributions	24	24
	<b>8,784</b>	9,753

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

\* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the performance of the directors.

The remuneration of each of the directors for the year ended 31 March 2008 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonuses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Auyang Ho	—	1,430	—	—	1,430
Mr. Auyang Pak Hong, Bernard	—	3,120	—	12	3,132
Ms. Choi Po Yee, Alice	—	2,600	500	12	3,112
	—	7,150	500	24	7,674
<b>Non-executive directors</b>					
Mr. Wong Ying Ho, Kennedy	101	—	—	—	101
Mr. Wong Chun Kong	24	—	—	—	24
Mr. Kam Chi Chiu, Anthony	151	—	—	—	151
Mr. Arvind Amratlal Patel	317	—	—	—	317
	593	—	—	—	593
<b>Independent non-executive directors</b>					
Mr. Luk Koon Hoo	174	—	—	—	174
Mr. Patrick Thomas Siewert	169	—	—	—	169
Mr. Steven Julien Feniger	174	—	—	—	174
	517	—	—	—	517
	1,110	7,150	500	24	8,784

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## 8. Directors' Remuneration (continued)

The remuneration of each of the directors for the year ended 31 March 2007 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Bonuses HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Mr. Auyang Ho	—	1,430	—	—	1,430
Mr. Auyang Pak Hong, Bernard	—	2,665	1,400	12	4,077
Ms. Choi Po Yee, Alice	—	2,288	1,000	12	3,300
	—	6,383	2,400	24	8,807
<b>Non-executive directors</b>					
Mr. Wong Ying Ho, Kennedy	120	—	—	—	120
Mr. Kam Chi Chiu, Anthony	120	—	—	—	120
Mr. Arvind Amratlal Patel	466	—	—	—	466
	706	—	—	—	706
<b>Independent non-executive directors</b>					
Mr. Luk Koon Hoo	120	—	—	—	120
Mr. Patrick Thomas Siewert	60	—	—	—	60
Mr. Steven Julien Feniger	60	—	—	—	60
	240	—	—	—	240
	946	6,383	2,400	24	9,753

## 9. Five Highest Paid Employees

The five highest paid employees during the year included two (2007: two) directors, details of whose emoluments are set out in note 8 above. Details of the remuneration of the remaining three (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Salaries, allowances and benefits in kind	5,275	5,184
Employee share option benefits	109	—
Pension scheme contributions	36	24
	<b>5,420</b>	5,208

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

	Number of employees	
	2008	2007
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	—
HK\$1,500,001 to HK\$2,000,000	3	3
	<b>3</b>	3

During the year, 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 30 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. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

## NOTES TO FINANCIAL STATEMENTS

31 March 2008

### 10. Tax (continued)

Pursuant to the income tax laws of the People's Republic of China (the "PRC"), Computime Electronics (Shenzhen) Co. Ltd. and Asia Electronics Technologies (Dongguan) Company Limited (formerly known as Electra HK Technologies (Dongguan) Co. Ltd.), wholly-owned subsidiaries of the Company, are entitled to a preferential tax treatment with full tax exemption from corporate income tax ("CIT") for the two years starting from the first profitable year, after deducting the tax losses carried forward, and are granted a 50% reduction in tax for the three years thereafter.

Computime Electronics (Shenzhen) Co. Ltd. was entitled to 50% tax relief for the years ended 31 March 2007 and 31 March 2008 as those were respectively its third and fourth profitable years of operation, while Asia Electronics Technologies (Dongguan) Company Limited was fully exempted from CIT for the current year as it was its first profitable year of operation.

On 16 March 2007, the National People's Congress approved the PRC Corporate Income Tax Law (the "New CIT Tax Law"), which is effective from 1 January 2008. Under the New CIT Tax Law, corporate income tax rate for domestic companies and foreign-invested enterprises will decrease from 33% to 25% since 1 January 2008. In addition, for those enterprises benefiting from lower preferential tax rates, such preferential rates will be gradually phased out by increasing them over the next five years. Accordingly, Computime Electronics (Shenzhen) Co. Ltd was subjected to CIT at 9% (2007: 7.5%) after 1 January 2008.

	Group	
	2008 HK\$'000	2007 HK\$'000
Current — Hong Kong	5,532	9,239
Current — Mainland China and other regions	1,663	2,862
Deferred ( <i>note 28</i> )	4,500	—
Total tax charge for the year	11,695	12,101

## 10. Tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong		2008 Mainland China and other regions		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	<b>86,944</b>		<b>30,056</b>		<b>117,000</b>	
Tax at the statutory tax rates	<b>15,215</b>	<b>17.5</b>	<b>9,918</b>	<b>33.0</b>	<b>25,133</b>	<b>21.5</b>
Differential tax rates for specific jurisdictions	—	—	<b>(8,624)</b>	<b>(28.7)</b>	<b>(8,624)</b>	<b>(7.4)</b>
Profits and losses attributable to associates	<b>(834)</b>	<b>(1.0)</b>	—	—	<b>(834)</b>	<b>(0.7)</b>
Net profits from operation not subject to tax	<b>(3,907)</b>	<b>(4.5)</b>	—	—	<b>(3,907)</b>	<b>(3.3)</b>
Income not subject to tax	<b>(2,203)</b>	<b>(2.5)</b>	—	—	<b>(2,203)</b>	<b>(1.9)</b>
Expenses not deductible for tax	<b>1,761</b>	<b>2.0</b>	<b>369</b>	<b>1.2</b>	<b>2,130</b>	<b>1.8</b>
Tax charge at the Group's effective rate	<b>10,032</b>	<b>11.5</b>	<b>1,663</b>	<b>5.5</b>	<b>11,695</b>	<b>10.0</b>

	Hong Kong		2007 Mainland China and other regions		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before tax	136,720		33,568		170,288	
Tax at the statutory tax rates	23,926	17.5	11,077	33.0	35,003	20.6
Differential tax rates for specific jurisdictions	—	—	(8,560)	(25.5)	(8,560)	(5.0)
Profits and losses attributable to associates	(392)	(0.3)	—	—	(392)	(0.2)
Net profits from operation not subject to tax	(6,572)	(4.8)	—	—	(6,572)	(3.9)
Income not subject to tax	(9,318)	(6.8)	—	—	(9,318)	(5.5)
Expenses not deductible for tax	1,595	1.2	345	1.0	1,940	1.1
Tax charge at the Group's effective rate	9,239	6.8	2,862	8.5	12,101	7.1

The share of tax attributable to associates amounting to HK\$503,000 (2007: HK\$223,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

## NOTES TO FINANCIAL STATEMENTS

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### 11. Profit Attributable to Equity Holders of the Company

The consolidated profit attributable to equity holders of the Company for the year ended 31 March 2008 includes a profit of HK\$70,816,000 (period from 23 June 2006 (date of incorporation) to 31 March 2007: HK\$91,209,000) which has been dealt with in the financial statements of the Company (note 31(b)).

### 12. Dividends

#### Dividends attributable to the year

	Notes	2008 HK\$'000	2007 HK\$'000
Special dividend <sup>#</sup>	31(b)	—	35,000
Interim — HK\$0.022 (2007: HK\$0.018) per ordinary share	31(b)	18,260	14,940
Proposed final — HK\$0.028 (2007: HK\$0.038) per ordinary share	31(b)	23,240	31,540
		<b>41,500</b>	81,480

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting and has not been recognised as a liability at the balance sheet date.

#### Dividends attributable to the previous financial year, approved and paid during the year

	2008 HK\$'000	2007 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year — HK\$0.038 per ordinary share	31,540	—
	<b>31,540</b>	—

<sup>#</sup> Pursuant to a board resolution passed on 20 September 2006, the Company paid a special dividend of HK\$35,000,000 to the then shareholders of the Company before the listing of the Company's shares.

### 13. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK\$105,351,000 (2007: HK\$153,185,000) and the weighted average of 830,000,000 ordinary shares in issue (2007: 709,315,000 ordinary shares deemed to have been in issue) during the year.

Diluted earnings per share amount for the year ended 31 March 2008 has not been disclosed as the share options granted and outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year. No diluted earnings per share is presented for the year ended 31 March 2007 as no diluting events occurred during that year.

## 14. Property, Plant and Equipment

## Group

	Notes	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
<b>At 31 March 2008</b>							
At 1 April 2007:							
Cost		47,496	67,646	199,579	3,215	7,746	325,682
Accumulated depreciation		(16,723)	(41,575)	(83,656)	(815)	(7,746)	(150,515)
Net carrying amount		30,773	26,071	115,923	2,400	—	175,167
At 1 April 2007, net of accumulated depreciation							
Acquisition of subsidiaries	32	1,479	2,635	16,921	16	—	21,051
Additions		3,207	7,829	8,798	1,081	1,860	22,775
Disposals and write-offs		(58)	(141)	(714)	(605)	—	(1,518)
Depreciation provided during the year	7	(6,504)	(8,334)	(20,726)	(388)	(143)	(36,095)
Exchange realignment		743	657	4,620	62	—	6,082
At 31 March 2008, net of accumulated depreciation		29,640	28,717	124,822	2,566	1,717	187,462
At 31 March 2008:							
Cost		63,120	94,923	249,949	3,612	9,606	421,210
Accumulated depreciation		(33,480)	(66,206)	(125,127)	(1,046)	(7,889)	(233,748)
Net carrying value		29,640	28,717	124,822	2,566	1,717	187,462

# NOTES TO FINANCIAL STATEMENTS

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## 14. Property, Plant and Equipment (continued)

### Group

	Note	Building HK\$'000	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
<b>At 31 March 2007</b>								
At 1 April 2006:								
Cost		4,644	44,946	60,121	172,830	2,979	7,746	293,266
Accumulated depreciation		(1,049)	(14,869)	(34,201)	(67,072)	(498)	(7,746)	(125,435)
Net carrying amount		3,595	30,077	25,920	105,758	2,481	—	167,831
At 1 April 2006, net of accumulated depreciation								
At 1 April 2006, net of accumulated depreciation		3,595	30,077	25,920	105,758	2,481	—	167,831
Additions		—	6,898	7,348	24,752	195	—	39,193
Disposals		(3,509)	(1,023)	(65)	(170)	—	—	(4,767)
Depreciation provided during the year	7	(86)	(5,602)	(7,358)	(16,258)	(309)	—	(29,613)
Exchange realignment		—	423	226	1,841	33	—	2,523
At 31 March 2007, net of accumulated depreciation		—	30,773	26,071	115,923	2,400	—	175,167
At 31 March 2007:								
Cost		—	47,496	67,646	199,579	3,215	7,746	325,682
Accumulated depreciation		—	(16,723)	(41,575)	(83,656)	(815)	(7,746)	(150,515)
Net carrying value		—	30,773	26,071	115,923	2,400	—	175,167

The net carrying amount of the Group's property, plant and equipment held under finance leases and hire purchase contracts included in the total amount of tools and machinery, motor vehicles and office equipment amounted to HK\$12,313,000 (2007: HK\$18,247,000).

## 15. Goodwill

		Group	
	Notes	2008 HK\$'000	2007 HK\$'000
Cost and net carrying amount at beginning of year		1,744	—
Acquisition of minority interests	33	2,284	1,744
Acquisition of subsidiaries	32	34,136	—
Cost and net carrying amount at 31 March		38,164	1,744



## 15. Goodwill (continued)

### Impairment testing of goodwill

Goodwill acquired through business combinations is principally related to the Asia Electronics entity cash-generating unit for impairment testing.

The recoverable amount of the Asia Electronics entity cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management, with cash flows beyond the three-year period being extrapolated. The discount rate applied to the cash flow projections is 5%.

The carrying amount of goodwill allocated to the Asia Electronics entity cash-generating unit was HK\$34,136,000 as at 31 March 2008.

Certain key assumptions were used in the value in use calculation of the Asia Electronics entity cash-generating unit for 31 March 2008. 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 units.

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## 16. Intangible Assets

### Group

	Note	Deferred expenditure HK\$'000	Other asset HK\$'000	Total HK\$'000
<b>31 March 2008</b>				
At 1 April 2007:				
Cost		127,504	8,502	136,006
Accumulated amortisation		(110,227)	(8,502)	(118,729)
Net carrying amount		17,277	—	17,277
At 1 April 2007, net of accumulated amortisation				
Additions		27,689	—	27,689
Amortisation provided during the year	7	(13,554)	—	(13,554)
At 31 March 2008, net of accumulated amortisation		31,412	—	31,412
At 31 March 2008:				
Cost		155,193	8,502	163,695
Accumulated amortisation		(123,781)	(8,502)	(132,283)
Net carrying amount		31,412	—	31,412

### Group

	Note	Deferred expenditure HK\$'000	Other asset HK\$'000	Total HK\$'000
<b>31 March 2007</b>				
At 1 April 2006:				
Cost		109,551	8,502	118,053
Accumulated amortisation		(91,823)	(7,226)	(99,049)
Net carrying amount		17,728	1,276	19,004
At 1 April 2006, net of accumulated amortisation				
Additions		17,953	—	17,953
Amortisation provided during the year	7	(18,404)	(1,276)	(19,680)
At 31 March 2007, net of accumulated amortisation		17,277	—	17,277
At 31 March 2007:				
Cost		127,504	8,502	136,006
Accumulated amortisation		(110,227)	(8,502)	(118,729)
Net carrying amount		17,277	—	17,277

## 17. Interests in Subsidiaries

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted investments, at cost	353,435	353,435
Due from subsidiaries	196,841	158,443
	<b>550,276</b>	511,878

Except for the amount of HK\$57,199,000 due from a subsidiary which bears interest at rates mutually agreed by the parties with reference to the market rates, the amounts due from subsidiaries are unsecured, interest-free and have no specific terms of repayment. The carrying amounts of the amounts due from subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share 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 Enterprises Limited	British Virgin Islands/ Mainland China	US\$1	100%	Provision of sub-contracting services
Computime Limited 金寶通有限公司	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
CK Technologies Company Limited 金德寶科技有限公司	Hong Kong	HK\$2	60%	Trading of electronic control products
金寶通電子(深圳)有限公司 Computime Electronics (Shenzhen) Co. Ltd.*#	Mainland China	US\$9,000,000	100%	Manufacture and trading of electronic control products

# NOTES TO FINANCIAL STATEMENTS

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## 17. Interests in Subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Clovis Limited	Hong Kong	HK\$1	100%	Trading of electronic control products
CT Global Inc.^	United States of America	US\$10	100%	Distribution and trading of electronic control products
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	GBP50,000	100%	Distribution and trading of electronic control products
Salus Controls GmbH^ (formerly known as Salus Technologies GmbH)	Germany	EUR25,000	100%	Distribution and trading of electronic control products
Asia Electronics HK Technologies Limited ("AEHK") (formerly known as Electra HK Technologies Limited)	Hong Kong	HK\$23,250,000	100%	Trading of electronic control products
Asia Electronics Technologies (Dongguan) Co. Ltd. ("AEDG") (formerly known as Electra HK Technologies (Dongguan) Co. Ltd.)*#	Mainland China	US\$3,000,000	100%	Manufacture of electronic control products

^ No audited financial statements of these companies have been prepared since their respective dates of incorporation as there is no statutory audit requirement for these companies

\* Not audited by Ernst & Young Hong Kong or other 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.

## 17. Interests in Subsidiaries (continued)

During the year, the Group acquired the entire equity interests in AEHK and AEDG from an independent third party, and the remaining 45% interests in Salus Controls Plc from the minority shareholder. Further details of these acquisitions are included in notes 32 and 33 to the financial statements, respectively.

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	
	2008 HK\$'000	2007 HK\$'000
Share of net assets	7,818	4,049
Goodwill on acquisition	1,558	1,558
	<b>9,376</b>	5,607
Due from associates	<b>6,827</b>	18,060

The amounts due from associates are unsecured, interest-free and have no specific terms of repayment. The carrying amounts of the amounts due from associates approximate to their fair values.

The Group's trade receivable balances with the associates are disclosed in note 20 to the financial statements.

Particulars of the principal associate are as follow:

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

\* Not audited by Ernst & Young Hong Kong or other 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 of 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 financial statements of the Group's associates are not coterminous with those of the Group and have financial years ending 31 December. The consolidated financial statements are adjusted for material transactions between the associates and the Group between 1 January and 31 March.

## NOTES TO FINANCIAL STATEMENTS

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### 18. Interests in Associates (continued)

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

	2008 HK\$'000	2007 HK\$'000
Assets	72,773	83,683
Liabilities	47,474	69,511
Revenue	244,456	126,439
Profit	19,145	9,702

### 19. Inventories

	Group	
	2008 HK\$'000	2007 HK\$'000
Raw materials	288,761	239,239
Work-in-progress	62,183	45,639
Finished goods	104,362	101,689
	455,306	386,567

### 20. Trade Receivables

	Group	
	2008 HK\$'000	2007 HK\$'000
Trade receivables	472,865	406,752
Impairment	(1,141)	—
	471,724	406,752

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. Trade receivables are non-interest-bearing.

20. Trade Receivables (continued)

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Within 1 month	412,870	300,754
1 to 2 months	22,791	15,626
2 to 3 months	11,366	23,512
Over 3 months	24,697	66,860
	<b>471,724</b>	406,752

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

	Group	
	2008 HK\$'000	2007 HK\$'000
At beginning of year	—	—
Acquisition of a subsidiary	1,006	—
Impairment losses recognised (note 7)	135	—
At 31 March	<b>1,141</b>	—

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$1,141,000 (2007: nil) with a carrying amount of HK\$24,906,000 (2007: nil). The individually impaired trade receivables relate to balances that were in disputes. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Neither past due nor impaired	332,237	270,744
Less than 1 month past due	57,586	30,010
1 to 3 months past due	32,298	39,138
Over 3 months past due	24,697	66,860
	<b>446,818</b>	406,752

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### 20. Trade Receivables (continued)

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. The Group does not hold any collateral or other credit enhancements over these balances.

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

Included in the Group's trade receivables are amounts due from the Group's associates and a related company, in which certain beneficial shareholders and directors of the Company have beneficial interests, of HK\$11,378,000 (2007: HK\$33,994,000) and HK\$4,345,000 (2007: HK\$4,771,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

### 21. Prepayments, Deposits and Other Receivables

The Group's and the Company's prepayments, deposits and other receivables are interest-free and their carrying amounts approximate to their fair values.

None of the above assets 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.

### 22. Cash and Cash Equivalents

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash and bank balances	156,321	139,491	532	48,230
Time deposits	412,498	399,715	336,322	305,015
	568,819	539,206	336,854	353,245

At the balance sheet date, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to HK\$18,002,000 (2007: HK\$3,033,000). The 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.



## 22. Cash and Cash Equivalents (continued)

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 six 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. The carrying amounts of the cash and cash equivalents approximate to their fair values.

## 23. Trade and Bills Payables

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Within 1 month	406,541	325,838
1 to 2 months	20,734	2,579
2 to 3 months	3,697	745
Over 3 months	4,006	8,417
	<b>434,978</b>	337,579

The trade payables are interest-free and generally have payment terms ranging from one to three months. The carrying amounts of the trade and bills payables approximate to their fair values.

## 24. Other Payables and Accrued Liabilities

The Group's and the Company's other payables and accrued liabilities are interest-free and have payment terms ranging from one to three months. The carrying amounts of other payables approximate to their fair values.

# NOTES TO FINANCIAL STATEMENTS

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## 25. Interest-bearing Bank and Other Borrowings

### Group

	2008			2007		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Finance lease payables (note 27)	3.50–6.25	2008	2,826	6.18–7.00	2007	6,055
Bank overdrafts — unsecured	5.25–7.50	2008	64	7.75–8.25	2007	20,741
Bank loans — unsecured	1.95–7.47	2008	225,208	4.90–7.75	2007	226,041
			<b>228,098</b>			<b>252,837</b>
<b>Non-current</b>						
Finance lease payables (note 27)	3.50–6.25	2009–2011	307	6.25–7.00	2008–2009	2,747
Bank loans — unsecured	1.95–7.47	2009–2013	40,549	5.40–6.61	2008–2010	17,830
			<b>40,856</b>			<b>20,577</b>
			<b>268,954</b>			<b>273,414</b>

## 25. Interest-bearing Bank and Other Borrowings (continued)

	2008 HK\$'000	2007 HK\$'000
<b>Analysed into:</b>		
Bank loans and overdrafts repayable:		
Within one year or on demand	225,272	246,782
In the second year	12,541	14,624
In the third to fifth years, inclusive	28,008	3,206
	<b>265,821</b>	264,612
Finance leases repayable:		
Within one year or on demand	2,826	6,055
In the second year	159	2,725
In the third to fifth years, inclusive	148	22
	<b>3,133</b>	8,802
	<b>268,954</b>	273,414

Other interest rate information:

	Fixed rate		Floating rate	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Finance lease payables	1,053	2,339	2,080	6,463
Bank overdrafts	—	—	64	20,741
Bank loans — unsecured	—	—	265,757	243,871

The carrying amounts of the Group's borrowings approximate to their fair values. Except for the unsecured bank loan of approximately HK\$16,554,000 (2007: HK\$609,000) which is denominated in the United States dollars, all borrowings are denominated in Hong Kong dollars.

## NOTES TO FINANCIAL STATEMENTS

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### 26. Derivative Financial Instrument

The derivative financial instrument represents a structured foreign exchange forward contract with a creditworthy bank. The carrying amount of the derivative financial instrument is the same as its fair value.

As at 31 March 2008, the Group has a structured foreign exchange forward contract to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of this derivative not qualifying for hedge accounting amounting to HK\$34,358,000 was charged to the income statement during the year (2007: Nil).

### 27. Finance Lease Payables

The Group leases certain of its tools and machinery, motor vehicles and office equipment. These leases are classified as finance leases and have remaining lease terms ranging from one to three years (2007: one to three years).

At 31 March 2008, the total future minimum lease payments under finance leases and their present values were as follows:

#### Group

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Amounts repayable:				
Within one year	<b>2,900</b>	6,429	<b>2,826</b>	6,055
In the second year	<b>178</b>	2,787	<b>159</b>	2,725
In the third to fifth years, inclusive	<b>155</b>	24	<b>148</b>	22
Total minimum finance lease payments	<b>3,233</b>	9,240	<b>3,133</b>	8,802
Future finance charges	<b>(100)</b>	(438)		
Total net finance lease payables	<b>3,133</b>	8,802		
Portion classified as current liabilities	<b>(2,826)</b>	(6,055)		
Long term portion	<b>307</b>	2,747		

## 28. Deferred Tax Liabilities

The movement in deferred tax liabilities and assets during the year is as follows:

### Group

	Provision against inventories HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Deferred expenditure HK\$'000	Net deferred tax liabilities HK\$'000
At 1 April 2006	(254)	5,260	—	5,006
Deferred tax (credited)/charged to the income statement during the year (note 10)	(1,514)	1,514	—	—
At 31 March 2007 and 1 April 2007	(1,768)	6,774	—	5,006
Acquisition of a subsidiary (note 32)	—	125	—	125
Deferred tax charged/(credited) to the income statement during the year (note 10)	846	(194)	3,848	4,500
At 31 March 2008	(922)	6,705	3,848	9,631

At 31 March 2008, there was no significant unrecognised deferred tax liability (2007: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

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

# NOTES TO FINANCIAL STATEMENTS

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## 29. Share Capital

### Share

	2008 HK\$'000	2007 HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
830,000,000 ordinary shares of HK\$0.10 each	83,000	83,000

The following changes in the Company's authorised and issued share capital and share premium took place during the period from 23 June 2006 (date of incorporation) to 31 March 2007:

	Notes	Number of ordinary shares of HK\$0.10 each	Nominal value of ordinary shares HK\$'000	Share premium HK\$'000	Total HK\$'000
Authorised:					
Upon incorporation	(a)	3,800,000	380	—	380
Increase in authorised share capital	(b)	4,996,200,000	499,620	—	499,620
As at 31 March 2007, 1 April 2007 and 31 March 2008		5,000,000,000	500,000	—	500,000
Issued and fully paid:					
Allotted and issued at nil paid upon incorporation	(c)	1	—	—	—
On acquisition of CIL — new issue of shares	(d)	399	—	—	—
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of the new shares to the public	(e)	599,999,600	—	—	—
Capitalisation of the share premium account as set out above	(e)	—	60,000	(60,000)	—
New issue of shares	(f)	230,000,000	23,000	501,400	524,400
Share issue expenses		—	—	(54,981)	(54,981)
As at 31 March 2007, 1 April 2007 and 31 March 2008		830,000,000	83,000	386,419	469,419

## 29. Share Capital (continued)

Notes:

- (a) Upon incorporation of the Company, the authorised share capital of the Company was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each.
- (b) Pursuant to the written resolution of the sole shareholder of the Company passed 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 additional 4,996,200,000 shares of HK\$0.10 each.
- (c) On 23 June 2006, 1 share of HK\$0.10 was allotted and issued at nil paid. The share was subsequently credited as fully paid at par.
- (d) Pursuant to the written resolution of the sole shareholder of the Company passed on 15 September 2006 and the group reorganisation, 399 new shares of HK\$0.10 each were further allotted and issued, credited as fully paid at par, in consideration of and in exchange for the acquisition of the entire issued share capital of CIL.
- (e) Pursuant to the written resolution of the sole shareholder of the Company passed on 15 September 2006, an aggregate of 599,999,600 shares of HK\$0.10 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK\$59,999,960 from the share premium account, to the then existing shareholders of the Company, whose names appeared in the register of members of the Company on 22 September 2006, in proportion to their respective shareholdings. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (f) below.
- (f) In connection with the Company's initial public offering, 230,000,000 shares of HK\$0.10 each were issued at a price of HK\$2.28 per share for a total cash consideration, before expenses, of HK\$524,400,000. Dealings in these shares on the Stock Exchange commenced in October 2006.

## 30. 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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is 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.

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### 30. Share Option Scheme (continued)

As at the date of this report, the total number of shares available for issue under the Scheme is 76,952,000, representing approximately 9.3% 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:

	<b>Weighted average exercise price</b> HK\$ per share	<b>Number of options</b>
At 1 April 2006, 31 March 2007 and 1 April 2007	—	—
Granted during the year	1.75	3,648,000
Lapsed during the year	1.75	(420,000)
At 31 March 2008	1.75	3,228,000

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

#### 2008

<b>Number of options</b> '000	<b>Exercise price*</b> HK\$ per share	<b>Exercise period</b>
1,076	1.75	31 August 2008 to 30 August 2017
1,076	1.75	31 August 2009 to 30 August 2017
1,076	1.75	31 August 2010 to 30 August 2017
3,228		

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



### 30. Share Option Scheme (continued)

The fair value of the share options granted during the year was HK\$2,263,000 (HK\$0.62 each) (2007: Nil) of which the Group recognised a share option expense of HK\$650,000 (2007: Nil) during the year ended 31 March 2008.

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

Exercise price (HK\$)	1.75
Expected volatility (%)	46.23
Expected option life (years)	9.93
Risk-free interest rate (%)	4.39
Share price at the date of grant (HK\$)	1.40
Suboptimal exercise factor (times)	2.00

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

At the balance sheet date, the Company had 3,228,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 3,228,000 additional ordinary shares of the Company and additional share capital of HK\$323,000 and share premium of HK\$5,326,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 3,048,000 share options outstanding under the Scheme, which represented approximately 0.37% of the Company's shares in issue as at that date.

### 31. 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 difference between 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.

# NOTES TO FINANCIAL STATEMENTS

31 March 2008

## 31. Reserves (continued)

### (b) Company

	Notes	Share premium HK\$'000	Contributed surplus HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Upon incorporation		—	—	—	—	—
Profit for the period from the incorporation date of 23 June 2006 to 31 March 2007		—	—	—	91,209	91,209
Arising on the group reorganisation		—	353,435	—	—	353,435
Capitalisation issue	29(e)	(60,000)	—	—	—	(60,000)
Issue of shares for cash consideration	29(f)	501,400	—	—	—	501,400
Share issue expenses		(54,981)	—	—	—	(54,981)
Special 2007 dividend paid	12	—	—	—	(35,000)	(35,000)
Interim 2007 dividend	12	—	—	—	(14,940)	(14,940)
Proposed final 2007 dividend	12	—	—	—	(31,540)	(31,540)
At 31 March 2007 and 1 April 2007		386,419	353,435	—	9,729	749,583
Equity-settled share option arrangements		—	—	650	—	650
Profit for the year		—	—	—	70,816	70,816
Interim 2008 dividend	12	—	—	—	(18,260)	(18,260)
Proposed final 2008 dividend	12	—	—	—	(23,240)	(23,240)
At 31 March 2008		386,419	353,435	650	39,045	779,549

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.

### 32. Business Combination

In July 2007, the Group entered into an agreement with an independent third party to acquire 100% equity interest in AEHK, which in turn owns 100% equity interest in AEDG (collectively the "AEHK Group"), for a cash consideration of US\$5,500,000 (equivalent to approximately HK\$42,625,000). As part of the obligations as to the completion of this transaction, the Group was required to repay AEHK's outstanding loan of US\$7,500,000 (equivalent to approximately HK\$58,125,000), together with all interests thereon, totalling approximately HK\$59,112,000, provided by the then shareholder of AEHK. The AEHK Group principally designs, manufactures and markets electronic controls for air-conditioners, major appliances and industrial and spa and pool products, and has established an extensive customer network spanning Europe, Asia, the Middle East and Australia.

The fair values of the identifiable assets and liabilities of the AEHK Group and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK\$'000	Previous carrying amount HK\$'000
Plant and equipment	14	21,051	21,051
Inventories		37,526	37,526
Trade receivables		107,402	107,402
Prepayments, deposits and other receivables		5,045	5,045
Cash and cash equivalents		8,187	8,187
Trade payables		(47,188)	(47,188)
Other payables and accrued liabilities		(13,727)	(13,727)
Interest-bearing bank borrowings		(49,222)	(49,222)
Tax payable		(333)	(333)
Deferred tax liabilities	28	(125)	(125)
Net assets acquired		68,616	68,616
Goodwill on acquisition	15	34,136	
		102,752	
Satisfied by:			
Cash consideration		42,625	
Direct costs attributable to the acquisition		1,015	
Repayment of a shareholder's loan		59,112	
		102,752	

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### 32. Business Combination (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK\$'000
Cash consideration	(102,752)
Cash and cash equivalents acquired	8,187
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(94,565)

Since its acquisition, the AEHK Group contributed HK\$163,175,000 to the Group's turnover and HK\$16,906,000 to the consolidated profit for the year ended 31 March 2008.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK\$2,378,211,000 and HK\$103,789,000, respectively.

### 33. Acquisition of Minority Interests

During the year, the Company acquired the remaining 45% equity interest in Salus Controls Plc at a total cash consideration of GBP157,500 from the minority shareholder. As a result of the acquisition, the Group increased its holdings in Salus Controls Plc from 55% at 31 March 2007 to 100% at 31 March 2008, resulting in a goodwill of approximately HK\$2,284,000 (note 15). This acquisition constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

During the year ended 31 March 2007, the Group acquired an additional 45% equity interest in Salus Controls GmbH (formerly known as Salus Technologies GmbH) for a total cash consideration of EUR100,000 from the minority shareholder. As a result, the Group increased its equity interests in Salus Controls GmbH (formerly known as Salus Technologies GmbH) from 55% to 100%, resulting in a total positive goodwill of approximately HK\$1,744,000 (note 15). This acquisition also constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

### 34. Note to the Consolidated Cash Flow Statement

#### Major non-cash transaction

During the year ended 31 March 2008, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK\$591,000.

### 35. Operating Lease Arrangements

The Group leases certain of its office properties, warehouses, factories and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years (2007: one to ten years).

At 31 March 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	21,767	16,457
In the second to fifth years, inclusive	58,253	48,463
After five years	10,098	16,927
	<b>90,118</b>	81,847

### 36. Commitments

In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2008 HK\$'000	2007 HK\$'000
Contracted, but not provided for:		
Establishment of a joint venture operation	12,788	—
Leasehold improvements	1,759	804
Plant and machinery	25	2,552
Others	407	678
	<b>14,979</b>	4,034
Authorised, but not contracted for:		
Investment in a subsidiary	5,038	—
	<b>20,017</b>	4,034

# NOTES TO FINANCIAL STATEMENTS

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## 37. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Corporate guarantees given to banks in respect of facilities granted to subsidiaries	—	—	<b>773,801</b>	650,494
Amount of bank facilities guaranteed by the Company and utilised by subsidiaries	—	—	<b>265,821</b>	264,612

## 38. Related Party and Connected Transactions

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

	Notes	2008 HK\$'000	2007 HK\$'000
Associates			
Sales of raw materials	(i)	<b>24,478</b>	18,925
Sales of finished goods	(i)	<b>31,627</b>	55,913
A beneficial shareholder of an associate of the Group			
Sales of finished goods	(i)	<b>8,939</b>	28,455
A related company in which certain beneficial shareholders and directors of the Company have beneficial interests			
Sales of finished goods	(ii)	<b>35,821</b>	24,155
A minority shareholder of a subsidiary			
Purchases of raw materials	(iii)	<b>305</b>	1,101

Notes:

- (i) The sales were made with reference to the prices and conditions offered to the major customers of the Group.
- (ii) The sales were made at cost plus a percentage of profit mark-up.
- (iii) The purchases from Kingdom Fine Metal Limited (the "KFM"), a minority shareholder of a subsidiary, were conducted in accordance with the terms under the agreement entered into between the Group and KFM on 18 September 2007. Details of this transaction are set out in note 38(b) below.

**38. Related Party and Connected Transactions (continued)****(b) Transactions with connected persons**

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following connected transactions during the year:

On 18 September 2006, an agreement was entered into between Computime Limited, a wholly-owned subsidiary of the Company, and KFM in respect of the Group's purchases of metal and related components from KFM (the "KFM Agreement"). Under the KFM Agreement, KFM has agreed for a term ending on 31 March 2009 that terms (including prices) upon which materials are provided to the Group shall be on terms no less favourable than those offered to third parties, having regard to the nature, volume and types of materials required.

As KFM is a substantial shareholder (holding 40% interest) of Marcus-Plus International Ltd., a non-wholly-owned subsidiary of the Company (holding the remaining 60% interest), KFM is considered as a connected person of the Company pursuant to the Listing Rules. Therefore the transaction under the KFM Agreement constitutes a continuing connected transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules.

The values of purchases under the KFM Agreement are expected not exceeding HK\$3,800,000, HK\$5,130,000 and HK\$6,670,000 for the year ended 31 March 2007, year ended 31 March 2008, and year ending 31 March 2009, respectively.

The value of the transaction under the KFM Agreement for the year ended 31 March 2008 was HK\$305,000.

**(c) Outstanding balances with related parties**

Details of trade balances with associates and a related company as at 31 March 2008 and 2007 are disclosed in note 20 to the financial statements.

**(d) Compensation of key management personnel of the Group**

	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
Short term employee benefits	<b>24,825</b>	22,047
Post-employment benefits	<b>156</b>	104
	<b>24,981</b>	22,151

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

## NOTES TO FINANCIAL STATEMENTS

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### 39. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

#### 2008

##### *Financial assets*

	Loans and receivables HK\$'000	Group Available-for- sale financial assets HK\$'000	Total HK\$'000
Club debenture	—	705	705
Trade receivables	471,724	—	471,724
Amounts due from associates	6,827	—	6,827
Financial assets included in prepayments, deposits and other receivables	28,151	—	28,151
Cash and cash equivalents	568,819	—	568,819
	<b>1,075,521</b>	<b>705</b>	<b>1,076,226</b>

##### *Financial liabilities*

	Financial liabilities at fair value through profit or loss — held for trading HK\$'000	Financial liabilities at amortised cost HK\$'000	Total HK\$'000
Trade and bills payables	—	434,978	434,978
Financial liabilities included in other payables and accruals	—	80,375	80,375
Interest-bearing bank and other borrowings	—	268,954	268,954
Derivative financial instrument	34,358	—	34,358
Amounts due to minority shareholders	—	160	160
	<b>34,358</b>	<b>784,467</b>	<b>818,825</b>



## 39. Financial Instruments By Category (continued)

## 2007

*Financial assets*

	Loans and receivables HK\$'000	Group Available-for- sale financial assets HK\$'000	Total HK\$'000
Club debenture	—	705	705
Trade receivables	406,752	—	406,752
Amounts due from associates	18,060	—	18,060
Financial assets included in prepayments, deposits and other receivables	24,152	—	24,152
Cash and cash equivalents	539,206	—	539,206
	988,170	705	988,875

*Financial liabilities*

	Financial liabilities at amortised cost HK\$'000
Trade and bills payables	337,579
Financial liabilities included in other payables and accruals	65,430
Interest-bearing bank and other borrowings	273,414
Amounts due to minority shareholders	160
	676,583

All the Company's financial assets as at 31 March 2007 and 2008, including amounts due from subsidiaries, deposits and other receivables, and cash and cash equivalents are categorised as loans and receivables.

All the Company's financial liabilities as at 31 March 2007 and 2008, including other payables are categorised as financial liabilities at amortised cost.

## NOTES TO FINANCIAL STATEMENTS

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### 40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases, 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 receivables and trade payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally a structured foreign exchange forward contract. The purpose is to manage the exchange rate risk arising from the Group's 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 and bank deposits with floating interest rates.

The interest rates and the terms of repayment of the Group's bank and other borrowings are disclosed in note 25. 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
<b>2008</b>			
Hong Kong dollar	<b>0.5</b>	<b>(1,078)</b>	<b>(1,078)</b>
United States dollar	<b>0.5</b>	<b>2,475</b>	<b>2,475</b>
Hong Kong dollar	<b>(0.5)</b>	<b>1,078</b>	<b>1,078</b>
United States dollar	<b>(0.5)</b>	<b>(2,475)</b>	<b>(2,475)</b>
<b>2007</b>			
Hong Kong dollar	0.5	(811)	(811)
United States dollar	0.5	2,136	2,136
Hong Kong dollar	(0.5)	811	811
United States dollar	(0.5)	(2,136)	(2,136)

40. 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 denominated in United States dollar. Due to the fact that the Hong Kong dollar is pegged to the United States dollar, the Group's exposure to foreign currency risk is low. Certain production and operating overheads of the Group's production facilities in Mainland China are denominated in RMB. During the year ended 31 March 2008, the Group has entered into a forward contract with a licensed bank in Hong Kong in order to reduce the exposure of RMB appreciation.

The following table demonstrates the sensitivity of certain receivables and payables which are denominated in RMB and Euro at the balance sheet date 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, bank balances and trade and other payables).

	Increase/ (decrease) in RMB/Euro rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity HK\$'000
<b>2008</b>			
If Hong Kong dollar weakens against RMB	5	(799)	(799)
If Hong Kong dollar weakens against Euro	5	2,519	2,519
If Hong Kong dollar strengthens against RMB	(5)	799	799
If Hong Kong dollar strengthens against Euro	(5)	(2,519)	(2,519)
<b>2007</b>			
If Hong Kong dollar weakens against RMB	5	(512)	(512)
If Hong Kong dollar weakens against Euro	5	26	26
If Hong Kong dollar strengthens against RMB	(5)	512	512
If Hong Kong dollar strengthens against Euro	(5)	(26)	(26)

## 40. 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 during the 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, amounts due from associates 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 sectors. 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 20 to the financial statements.

### (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 and finance leases. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

#### Group

2008

	Within 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total HK\$'000
Trade and bills payables	434,978	—	—	434,978
Payables, accruals and other liabilities	80,375	—	—	80,375
Derivative financial instruments	34,358	—	—	34,358
Amounts due to minority shareholders	160	—	—	160
Interest-bearing bank and other borrowings	228,098	12,700	28,156	268,954
	<b>777,969</b>	<b>12,700</b>	<b>28,156</b>	<b>818,825</b>

**40. Financial Risk Management Objectives and Policies (continued)****(iv) Liquidity risk (continued)****Group****2007**

	Within 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Total HK\$'000
Trade and bills payables	337,579	—	—	337,579
Payables, accruals and other liabilities	65,430	—	—	65,430
Amounts due to minority shareholders	160	—	—	160
Interest-bearing bank and other borrowings	252,837	17,349	3,228	273,414
	656,006	17,349	3,228	676,583

The Company's financial liabilities included other payables of HK\$1,487,000 (2007: HK\$2,022,000) which were repayable within one year.

**(v) Capital management**

The primary objective of the Group's capital management is 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 shareholder 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 during the years ended 31 March 2008 and 31 March 2007.

The Group's capital comprises all components of equity. As at 31 March 2008, the Group had net cash of HK\$299,865,000 (2007: HK\$265,792,000), representing total cash and cash equivalents less total interest-bearing bank and other borrowings.

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

**41. Comparative Amounts**

Certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

**42. Approval of the Financial Statements**

The financial statements were approved and authorised for issue by the board of directors on 14 July 2008.

# FINANCIAL SUMMARY

## RESULTS

	2008 HK\$'000	Year ended 31 March			
		2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>REVENUE</b>	<b>2,274,075</b>	2,003,003	1,908,475	1,776,094	1,095,727
<b>PROFIT BEFORE TAX</b>	<b>117,000</b>	170,288	152,723	145,459	101,112
<b>TAX</b>	<b>(11,695)</b>	(12,101)	(13,878)	(13,108)	(7,740)
<b>PROFIT FOR THE YEAR</b>	<b>105,305</b>	158,187	138,845	132,351	93,372
<b>ATTRIBUTABLE TO:</b>					
Equity holders of the Company	<b>105,351</b>	153,185	140,127	132,045	92,989
Minority interests	<b>(46)</b>	5,002	(1,282)	306	383
	<b>105,305</b>	158,187	138,845	132,351	93,372

## ASSETS, LIABILITIES AND MINORITY INTERESTS

	2008 HK\$'000	As at 31 March			
		2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>TOTAL ASSETS</b>	<b>1,802,493</b>	1,585,346	1,024,138	852,099	612,825
<b>TOTAL LIABILITIES</b>	<b>(872,704)</b>	(722,861)	(723,801)	(640,421)	(503,965)
	<b>929,789</b>	862,485	300,337	211,678	108,860
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>928,898</b>	861,167	300,337	210,304	108,259
<b>MINORITY INTERESTS</b>	<b>891</b>	1,318	—	1,374	601
	<b>929,789</b>	862,485	300,337	211,678	108,860

The summary of the consolidated results of the Group for each of the three years ended 31 March 2004, 2005 and 2006 and of the assets, liabilities and minority interests as at 31 March 2004, 2005 and 2006 have been extracted from the Company's prospectus dated 25 September 2006 (the "Prospectus"). Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in the Prospectus. The consolidated results of the Group for the years ended 31 March 2008 and 2007 and the consolidated assets and liabilities of the Group as at 31 March 2008 and 2007 are those set out in the audited financial statements.