



# Contents

2	Corporate Information
4	Condensed Consolidated Income Statement
6	Condensed Consolidated Balance Sheet
8	Condensed Consolidated Statement of Changes in Equity
9	Condensed Consolidated Cash Flow Statement
10	Notes to Interim Condensed Consolidated Financial Statements
22	Management Discussion and Analysis
28	Other Information



# Corporate Information

## 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*)  
Mr. Auyang Pak Hong, Bernard  
Mr. Luk Koon Hoo  
Mr. Patrick Thomas Siewert  
Mr. Steven Julien Feniger

## 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

## Corporate Information

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Auditors

Ernst & Young

### Legal Advisor

Richards Butler in association with  
Reed Smith LLP

### Principal Bankers

Hang Seng Bank Limited  
DBS Bank (Hong Kong) Limited  
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) Limited  
The Bank of Tokyo-Mitsubishi UFJ, Ltd.

# Condensed Consolidated Income Statement

30 September 2008

The board of directors (the "Board") of Computime Group Limited (the "Company") is pleased to present the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2008 (the "Period") together with the comparative figures for the six months ended 30 September 2007.

	Notes	For the six months ended 30 September	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>REVENUE</b>	3, 4	<b>1,246,603</b>	1,102,761
Cost of sales		<b>(1,120,033)</b>	(919,881)
<b>GROSS PROFIT</b>		<b>126,570</b>	182,880
Other income and gains		<b>7,268</b>	19,009
Selling and distribution costs		<b>(42,374)</b>	(44,256)
Administrative expenses		<b>(70,175)</b>	(61,935)
Other operating expenses		<b>(5,659)</b>	(7,476)
Finance costs	5	<b>(4,033)</b>	(8,070)
Share of profits and losses of associates		<b>477</b>	2,549
Share of loss of a jointly controlled entity		<b>(311)</b>	—
<b>PROFIT BEFORE TAX</b>	6	<b>11,763</b>	82,701
Tax	7	<b>(1,706)</b>	(8,187)
<b>PROFIT FOR THE PERIOD</b>		<b>10,057</b>	74,514
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Company		<b>10,058</b>	74,516
Minority interests		<b>(1)</b>	(2)
		<b>10,057</b>	74,514

# Condensed Consolidated Income Statement

30 September 2008

		For the six months ended	
		30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
DIVIDEND	8		
Proposed interim		—	18,260
<hr/>			
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
— Basic (HK cents)		1.21	8.98
<hr/>			
— Diluted (HK cents)		N/A	N/A
<hr/>			

# Condensed Consolidated Balance Sheet

30 September 2008

		30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	182,251	187,462
Goodwill		38,164	38,164
Club debenture		705	705
Intangible assets		40,055	31,412
Interests in associates		9,829	9,376
Interests in a jointly controlled entity		3,564	—
<b>Total non-current assets</b>		<b>274,568</b>	267,119
<b>CURRENT ASSETS</b>			
Inventories		519,935	455,306
Trade receivables	11	486,062	471,724
Prepayments, deposits and other receivables		35,528	32,538
Amounts due from associates		1,936	6,827
Tax recoverable		74	160
Cash and cash equivalents		525,755	568,819
<b>Total current assets</b>		<b>1,569,290</b>	1,535,374
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	12	461,338	434,978
Other payables and accrued liabilities		130,301	116,206
Interest-bearing bank and other borrowings		247,103	228,098
Derivative financial instrument		—	34,358
Dividend payable		23,240	—
Amounts due to a jointly controlled entity		3,112	—
Amounts due to minority shareholders		160	160
Tax payable		8,356	8,417
<b>Total current liabilities</b>		<b>873,610</b>	822,217
<b>NET CURRENT ASSETS (to be continued)</b>		<b>695,680</b>	713,157

# Condensed Consolidated Balance Sheet

30 September 2008

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
<b>NET CURRENT ASSETS</b> (continued)	<b>695,680</b>	713,157
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>970,248</b>	980,276
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank and other borrowings	<b>34,049</b>	40,856
Deferred tax liabilities	<b>10,409</b>	9,631
Total non-current liabilities	<b>44,458</b>	50,487
Net assets	<b>925,790</b>	929,789
<b>EQUITY</b>		
Equity attributable to equity holders of the Company		
Issued capital	<b>83,000</b>	83,000
Reserves	<b>841,900</b>	822,658
Proposed dividend	—	23,240
Minority interests	<b>924,900</b> <b>890</b>	928,898 891
Total equity	<b>925,790</b>	929,789



# Condensed Consolidated Statement of Changes in Equity

30 September 2008

	Attributable to equity holders of the Company									
	Issued capital	Share premium	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008 (audited)	83,000	386,419	1,879	650	14,602	419,108	23,240	928,898	891	929,789
Exchange realignment and total income and expense recognised directly in equity	—	—	—	—	8,870	—	—	8,870	—	8,870
Profit for the period	—	—	—	—	—	10,058	—	10,058	(1)	10,057
Total income and expense for the period	—	—	—	—	8,870	10,058	—	18,928	(1)	18,927
Equity-settled share option arrangement	—	—	—	314	—	—	—	314	—	314
Final 2008 dividend paid	—	—	—	—	—	—	(23,240)	(23,240)	—	(23,240)
At 30 September 2008 (unaudited)	83,000	386,419	1,879	964	23,472	429,166	—	924,900	890	925,790
At 1 April 2007 (audited)	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	—	—	—	—	2,577	—	—	2,577	—	2,577
Profit for the period	—	—	—	—	—	74,516	—	74,516	(2)	74,514
Total income and expense for the period	—	—	—	—	2,577	74,516	—	77,093	(2)	77,091
Acquisition of minority interests	—	—	—	—	—	—	—	—	(381)	(381)
Equity-settled share option arrangement	—	—	—	16	—	—	—	16	—	16
Final 2007 dividend paid	—	—	—	—	—	—	(31,540)	(31,540)	—	(31,540)
Proposed interim 2008 dividend (note 8)	—	—	—	—	—	(18,260)	18,260	—	—	—
At 30 September 2007 (unaudited)	83,000	386,419	1,879	16	5,649	411,513	18,260	906,736	935	907,671

# Condensed Consolidated Cash Flow Statement

30 September 2008

	For the six months ended	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(22,457)	88,857
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(28,861)	(92,753)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	8,229	(27,509)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,089)	(31,405)
Cash and cash equivalents at beginning of period	568,755	502,965
Effect of foreign exchange rate changes, net	89	103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	525,755	471,663
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	252,208	238,273
Non-pledged time deposits with original maturity of less than three months when acquired	273,547	233,390
	525,755	471,663

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 1. Corporate Information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2006 under the Companies Law, Chapter 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 17th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

## 2. Basis of Presentation

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”). The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2008, except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which also include HKASs and Interpretations, as disclosed below:

HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the method of computation of these interim condensed consolidated financial statements.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 2. Basis of Presentation *(continued)*

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

HKFRS 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>
HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets <sup>3</sup>
HKAS 39 Amendments	Cash Flow Hedge Accounting of Forecast Intergroup Transactions <sup>2</sup>
HKAS 39 Amendments	The Fair Value Option <sup>2</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</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 July 2008

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

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.

## 3. Revenue

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

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 4. Segment Information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and profit for the Group's business segments for the six months ended 30 September 2008 and 2007:

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	For the six months ended 30 September 2008		For the six months ended 30 September 2007		For the six months ended 30 September 2008		For the six months ended 30 September 2007	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

### Segment revenue:

Sales to external customers	569,488	584,498	477,555	368,112	199,560	150,151	1,246,603	1,102,761
-----------------------------	---------	---------	---------	---------	---------	---------	-----------	-----------

Segment results	8,448	58,689	9,487	16,780	14,635	13,066	32,570	88,535
-----------------	-------	--------	-------	--------	--------	--------	--------	--------

Bank interest income							2,295	7,685
Other income and gains (excluding bank interest income)							4,973	11,324
Corporate and other unallocated expenses							(24,208)	(19,322)
Finance costs							(4,033)	(8,070)
Share of profits and losses of associates	477	2,549	—	—	—	—	477	2,549
Share of loss of a jointly controlled entity	(311)	—	—	—	—	—	(311)	—
Profit before tax							11,763	82,701
Tax							(1,706)	(8,187)
Profit for the period							10,057	74,514

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 5. Finance Costs

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	3,922	7,803
Finance leases	111	267
	<b>4,033</b>	8,070

## 6. Profit Before Tax

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

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	1,112,065	917,862
Depreciation	20,135	16,862
Amortisation of intangible assets <sup>#</sup>	11,336	6,406
Provision against inventories	7,968	2,019
Bank interest income	(2,295)	(7,685)
Fair value loss on derivative financial instrument*	—	7,239

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

\* Included in "Other operating expenses" on the face of the condensed consolidated income statement.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 7. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

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, 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 six months ended 30 September 2007 and 2008 as those were respectively its fourth and fifth profitable years of operations, while Asia Electronics Technologies (Dongguan) Company Limited was fully exempt from CIT for the six months ended 30 September 2007 and 2008 as those were respectively its first and second profitable years of operation.

Under the new PRC Corporate Income Tax Law, which has been effective from 1 January 2008, corporate income tax rate for domestic companies and foreign-invested enterprises are unified at 25% effective from 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. is subject to CIT at 9.0% (2007: 7.5%) after 1 January 2008.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 7. Tax (continued)

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current — Hong Kong	789	6,325
Current — Mainland China and other regions	139	1,862
Deferred	778	—
	<hr/>	<hr/>
Total tax charge for the period	1,706	8,187

No share of tax attributable to associates/a jointly controlled entity (2007: Nil) is included in "Share of profits and losses of associates" or "Share of loss of a jointly controlled entity" in the condensed consolidated income statement.

## 8. Dividend

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Proposed interim — Nil (2007: HK\$0.022 per ordinary share)	—	18,260

No payment of interim dividend for the six months ended 30 September 2008 is recommended.



# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

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

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$10,058,000 (six months ended 30 September 2007: HK\$74,516,000) and the weighted average of 830,000,000 (six months ended 30 September 2007: 830,000,000) ordinary shares in issue during the Period.

Diluted earnings per share for the current or prior period has not been disclosed as the share options granted and outstanding had an anti-dilutive effect on the basic earnings per share for the periods.

## 10. Major Additions of Property, Plant and Equipment

During the Period, the Group purchased property, plant and equipment amounting to approximately HK\$11,428,000 (six months ended 30 September 2007: HK\$10,027,000).

## 11. Trade Receivables

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one to three months.

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 1 month	449,525	412,870
1 to 2 months	13,231	22,791
2 to 3 months	8,429	11,366
Over 3 months	14,877	24,697
	<b>486,062</b>	<b>471,724</b>

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 11. Trade Receivables *(continued)*

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

Included in the Group's trade receivables as at 30 September 2008 were amounts due from the Group's associates and a related company, in which certain beneficial shareholders and directors of the Company have beneficial interests, of HK\$12,088,000 (31 March 2008: HK\$11,378,000) and HK\$8,172,000 (31 March 2008: HK\$4,345,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group.

## 12. Trade and Bills Payables

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

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within 1 month	391,062	406,541
1 to 2 months	57,064	20,734
2 to 3 months	6,572	3,697
Over 3 months	6,640	4,006
	<b>461,338</b>	434,978

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.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 13. Share Option Scheme

The Company has adopted a share option scheme (the “Scheme”) on 15 September 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. Details of the Scheme are set out in the Company’s annual report for the year ended 31 March 2008 (note 30 to the financial statements).

Details and movements of the share options granted under the Scheme for the six months ended 30 September 2008 are as follows:

Category of participants	Number of share options					As at 30 September 2008	Date of grant of share options <sup>(1)</sup>	Exercise period of share options	Exercise price per share
	As at 1 April 2008	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period				
Senior management and other employees in aggregate	1,076,000	—	—	—	(120,000)	956,000	27 September 2007	31 August 2008 to 30 August 2017	HK\$1.75
	1,076,000	—	—	—	(120,000)	956,000	27 September 2007	31 August 2009 to 30 August 2017	HK\$1.75
	1,076,000	—	—	—	(120,000)	956,000	27 September 2007	31 August 2010 to 30 August 2017	HK\$1.75
	<u>3,228,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(360,000)</u>	<u>2,868,000</u>			

Notes:

1. *The vesting period of the share options is from the date of grant until the commencement of the exercise period.*
2. *No share options were granted to directors of the Company under the Scheme during the Period.*

The fair value of the share options granted at the date of grant was approximately HK\$2,263,000 (HK\$0.62 each) of which the Group recognized a share option expense of HK\$314,000 (30 September 2007: HK\$16,000) during the Period.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 13. Share Option Scheme *(continued)*

The fair value of the share options 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.

## 14. Commitments

As at 30 September 2008, the Group had capital commitments of HK\$2,325,000 (31 March 2008: HK\$5,038,000), which represented commitment authorized but not contracted for in respect of investment in a subsidiary. Furthermore, the Group had commitments contracted but not provided for mainly in respect of acquisition of property, plant and equipment of HK\$1,850,000 (31 March 2008: HK\$2,191,000). At 31 March 2008, the Group also had capital commitments of HK\$12,788,000 in respect of amounts contracted but not provided for in respect of the establishment of a joint venture operation.

# Notes to Interim Condensed Consolidated Financial Statements

30 September 2008

## 15. Related Party Transactions

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

### (a) Transactions with related parties

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Associates		
Sales of raw materials	<b>13,082</b>	16,193
Sales of finished goods	<b>24,694</b>	18,995
A beneficial shareholder of an associate of the Group		
Sales of finished goods	<b>4,774</b>	3,531
A related company in which certain beneficial shareholders and directors of the Company have beneficial interests		
Sales of finished goods	<b>24,800</b>	24,073
A minority shareholder of a subsidiary		
Purchases of raw materials	<b>190</b>	163

**15. Related Party Transactions** *(continued)***(b) Compensation of key management personnel of the Group**

	<b>For the six months ended</b>	
	<b>30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short term employee benefits	<b>12,107</b>	11,636
Post-employment benefits	<b>84</b>	84
Equity-settled share option expenses	<b>151</b>	16
	<b>12,342</b>	11,736

**16. Comparative Amounts**

Certain comparative amounts have been reclassified to conform with the current period's presentation.

**17. Approval of the Interim Condensed Consolidated Financial Statements**

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 15 December 2008.

# Management Discussion and Analysis

## Overview

For the six months ended 30 September 2008, the Group, like most enterprises in the world faced an adverse business environment as a result of the global economic downturn which diminished market demand. On the positive side, the Group was able to maintain a degree of continuous growth in sales, customer base and branded businesses in the face of this adversity. Yet surging raw material prices, rising manufacturing costs in Mainland China and unfavourable foreign exchange fluctuations adversely affected the Group's profitability and continued to outpace management's efforts to throttle their impact.

## Financial Highlights

### Turnover

During the Period, the Group achieved an increase in turnover by approximately 13.0% to HK\$1,246,603,000 as compared to HK\$1,102,761,000 recorded for the corresponding period last year. The growth was driven mainly by the considerable increase in sales to the European and Asian markets with strong performance of the Group's appliance controls and commercial and industrial controls business segments. Sales of appliance controls rose by approximately 29.7% to HK\$477,555,000 while sales of commercial and industrial controls surged by approximately 32.9% to HK\$199,560,000, offsetting the slight decrease of approximately 2.6% in the sales of building and home controls in an extremely soft United States ("US") market.

With the Group's strategic expansion of its business coverage and distribution network in Europe and Asia to diversify revenue sources, sales generated from the European and Asian markets increased by approximately 48.7% and 92.0% respectively, contributing approximately 37.5% and 18.1% to the Group's total turnover respectively. During the Period, sales to the Americas decreased by approximately 17.4% due to the further weakening of the US housing market, lowering its contribution to the Group's total turnover to approximately 43.8%.

# Management Discussion and Analysis

## Financial Highlights *(continued)*

### Profitability and Margin

In the first half of the financial year 2008/2009, the Group faced more severe cost pressure, as many manufacturers with production facilities in Mainland China encountered. Cost of sales increased drastically due to the surge in raw material prices as well as the increase in labour costs and manufacturing overhead. Rising costs, compounded by continuous appreciation of Renminbi (“RMB”), substantially reduced the gross margin of the Group’s businesses. Gross profit for the Period declined approximately 30.8% to HK\$126,570,000 as compared to HK\$182,880,000 for the corresponding period last year. With its continuous efforts in enhancing innovative design and product development capabilities, the Group was able to increase the selling prices and pass part of the soaring costs to most customers, yet the effect was not fully reflected in the first half of the year.

In analyzing the major operating expenses as a percentage to turnover, selling and distribution costs as well as finance costs were improved to 3.4% and 0.3% of the Group’s total turnover as compared to approximately 4.0% and 0.7% respectively for the corresponding period last year. Administrative expenses as a percentage to turnover were relatively stable and maintained at approximately 5.6%. The Group recorded a profit attributable to equity holders of the Company of HK\$10,058,000 for the Period, as compared to HK\$74,516,000 for the same period last year.

During the Period and throughout the remainder of the year, the Group’s focus continues to be working with customers, suppliers and staff to manage costs, slim down operations and mitigate risk wherever possible. The Group may also benefit from recent improvement in the scale and downward direction of commodity costs and from the actions we are taking to improve profitability.



# Management Discussion and Analysis

## Business Review

Despite the slowdown in traditional demand due to decrease in newly built homes, the Group managed to gain new customers through expansion into new geographical markets and increased its market share as a result of existing customers' vendor consolidation.

### Building and Home Controls Business

During the Period, sales of building and home controls amounted to HK\$569,488,000, representing approximately 45.7% of the Group's total turnover. Sales from this business segment decreased slightly by approximately 2.6% as compared to the corresponding period last year mainly due to the decrease in demand for home controls products in the US, which was partly offset by the increase in sales of electronic controls for air conditioning products in Asia and the continuous increasing demand for energy management products in the European market.

The Group continued to diversify the product and service offerings of its own "Salus" brand and expanded into new geographical markets in Europe. Apart from distributing heating controls and energy management products ranging from programmers, programmable thermostats, digital electronic thermostats, wiring centres, valves to under floor heating controls, the Group commenced to launch renewable energy products under its brand "Salus Solar" during the Period. "Salus Solar" offers effective solar systems for water heating, together with a full system design service and clean air project analysis. Although the sales of "Salus" brand products only contributed a small portion to the Group's total turnover, it is a fast growing business with sales revenue up approximately 91.7% during the Period.

### Appliance Controls Business

Appliance controls business segment achieved a strong growth during the Period which sales increased by approximately 29.7% or HK\$109,443,000 to HK\$477,555,000 as compared to the corresponding period last year, accounting for approximately 38.3% of the Group's total turnover. The revenue growth was mainly attributable to the increasing sale of controllers to certain existing European customers due to its vendor consolidation as well as drawing new customers in other markets.

### Commercial and Industrial Controls Business

During the Period, commercial and industrial controls business segment reported considerable growth with sales up approximately 32.9% or HK\$49,409,000 to HK\$199,560,000, contributing approximately 16.0% to the Group's total turnover. The growth was driven by the increase in sale of industrial equipment products in Asia and generating sales from new customers.

# Management Discussion and Analysis

## Outlook

In 2008, the global economy has been subjected to drastic changes and volatilities. The outbreak of the subprime mortgage crisis has triggered worldwide financial turmoil and credit crunch in the finance and banking industries. Economic downturn has undermined consumer confidence and lowered their spending. Weakening market demand, volatile commodity prices, general inflation and unprecedented foreign exchange fluctuations reduced profitability and capital spending of most corporations. Undergoing a challenging first six-month period of the financial year, although the Group managed to maintain sales growth, the unfavourable macroeconomic factors have set back its results for the Period. Under the uncertain economic conditions, it is difficult for the Group, its customers and vendors to forecast and plan accurately for future business growth. Yet, such factors as surging raw material prices, increase in labour costs and appreciation of RMB, which have adversely affected the Group's operating results in the first half of the year, seem to have stabilized recently. The persistence of such stability and the duration of the economic downturn will materially impact the outlook of the Group's performance in the year to come.

Given the difficult operating environment, the Group will continue to pursue a prudent but proactive approach towards business expansion. The Group will put in greater efforts to increase market share and seek new customers by continuously diversifying its product and service offerings, with a view to strengthening its core businesses. Additionally, the Group will continue to explore business opportunities in Asian markets through expanding its branded businesses to capture potential customers as strategically planned.

Despite the upheaval in the global economy and each of the markets the Group operates in, the management believes the Group's products, manufacturing services and innovation pipeline are particularly well suited for the smart energy and environmentally friendly approaches that are now a common element of many of the stimulus programs under consideration in both developed and developing countries.

From the financial management perspective, the Group will exercise more stringent cost control measures, in particular on negotiating material price reduction, consolidating production facilities and increasing outsourcing activities to boost factory productivity as well as shrinking overall operating and administrative expenses. Conservative cash management including closely monitoring of inventory level and account receivables cycle is also in place to continuously maintain a healthy cash position of the Group.

Though it is generally expected that the business conditions in the coming year and the next will be more difficult, which will further accelerate the pace of industry consolidation, this provides opportunities for stronger players to gain further market share. Backed by the Group's resilient business model, diversified customer base, strong pipeline as well as a still healthy financial position, the Group remains confident in its prospects and its capabilities to overcome the challenges ahead.

# Management Discussion and Analysis

## Liquidity, Financial Resources and Capital Structure

As at 30 September 2008, the Group had cash and cash equivalents of HK\$525,755,000, majority of which were denominated either in US dollars or Hong Kong dollars and HK\$61,618,000 were denominated in RMB. Average trade receivable and average inventory turnover periods were 70.1 days and 71.4 days respectively. Overall, the Group maintained a strong current ratio of 1.80 as at 30 September 2008.

As at 30 September 2008, total interest-bearing bank and other borrowings were HK\$281,152,000, comprising bank loans and overdrafts of HK\$280,595,000 and finance lease payables of HK\$557,000, of which HK\$247,103,000 will be repayable within one year and HK\$34,049,000 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. Total equity attributable to equity holders of the Company as at 30 September 2008 amounted to HK\$924,900,000.

As at 30 September 2008, the Group had net cash of HK\$244,603,000, 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 during the Period.

## Treasury Policies

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

## Capital Expenditure and Commitments

During the Period, the Group incurred total capital expenditure of approximately HK\$31,407,000 which were spent for addition of property, plant and equipment and deferred expenditure.

# Management Discussion and Analysis

## Capital Expenditure and Commitments *(continued)*

As at 30 September 2008, the Group had capital commitments of HK\$2,325,000, which represented commitments authorized but not contracted for in respect of investment in a subsidiary. Furthermore, the Group had commitments contracted but not provided for mainly in respect of acquisition of property, plant and equipment of HK\$1,850,000.

## Contingent Liabilities

As at 30 September 2008, the Group did not have significant contingent liabilities.

## Employee Information

As at 30 September 2008, the Group had a total of approximately 5,100 full-time employees. Total staff costs for the Period amounted to HK\$108,004,000. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company has also adopted a share option scheme under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. As at 30 September 2008, 2,868,000 share options remained outstanding under such share option scheme.

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

The proceeds from the Company's issue of new shares (including shares issued on the exercise of over-allotment option) for listing on the Stock Exchange in October 2006, after deduction of related expenses, amounted to approximately HK\$469,419,000. The Group intends to apply the net proceeds for the purposes as set out in the section headed "Future Plans And Use of Proceeds" in the prospectus of the Company dated 25 September 2006. As at 30 September 2008, approximately HK\$106,250,000 were utilised for strategic business combination and acquisitions, approximately HK\$8,215,000 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 were placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.

# Other Information

## Interim Dividend

The Board does not recommend the payment of interim dividend for the Period (2007: HK\$0.022 per ordinary share).

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

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

## Corporate Governance

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules for the Period.

## Code of Conduct for Directors' and Employees' Securities Transactions

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished price-sensitive information relating to the Company or its securities) (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the Period.

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

## Other Information

### Audit Committee

The Audit Committee of the Company, which comprises three independent non-executive directors of the Company, namely Mr. Luk Koon Hoo (Chairman of the Audit Committee), Mr. Patrick Thomas Siewert and Mr. Steven Julien Feniger and two non-executive directors of the Company, namely Mr. Kam Chi Chiu, Anthony and Mr. Arvind Amratlal Patel, has reviewed with the senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

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

## Other Information

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

As at 30 September 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 (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

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

Save as disclosed above, as at 30 September 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 Period.

## Other Information

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

As at 30 September 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 by the Company pursuant to Section 336 of the SFO:

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

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Approximate percentage of the Company's issued share capital
SPGL	Beneficial owner	352,500,000 (Note 1)	42.46%
Ms. Tse Shuk Ming	Interest of spouse	352,500,000 (Note 2)	42.46%
Crystalplaza Limited	Beneficial owner	133,500,000 (Note 3)	16.08%
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	51,296,000 (Note 5)	6.18%



## Other Information

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

(continued)

Notes:

1. *The interest of SPGL was also disclosed as the interest of Mr. Auyang Ho in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations".*
2. *Ms. Tse Shuk Ming was deemed to be interested in 352,500,000 shares of the Company through the interest of her spouse, Mr. Auyang Ho.*
3. *These shares were owned by Crystalplaza Limited (as to 133,500,000 shares) and Little Venice Limited (as to 52,500,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.*
4. *Mr. Heung Lap Chi, Eugene was deemed to be interested in 186,000,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.*
5. *These shares were held by Martin Currie Inc. (as to 22,098,000 shares) and Martin Currie Investment Management (as to 29,198,000 shares), both were controlled corporations of Martin Currie Ltd., which in turn was a controlled corporation of Martin Currie (Holdings) Limited.*

Save as disclosed above, as at 30 September 2008, no person, other than the director of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations" above, had 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.

### Appreciation

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

By Order of the Board  
**Auyang Ho**  
Chairman

Hong Kong, 15 December 2008