



**COMPUTIME
GROUP LIMITED**
金寶通集團有限公司*

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

* For identification purposes only

Control Technology & Connected Solutions

INTERIM REPORT
2016/2017

SMART ENERGY



CLIMATE CONTROLS



APPLIANCE
CONTROLS



INDUSTRIAL
CONTROLS



CONNECTED
HOMES



CONTENTS

	Page
Corporate Information	2
Condensed Consolidated Statement of Profit or Loss	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Statement of Financial Position	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to Interim Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	19
Other Information	22

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King *(Chief Executive Officer)*
Mr. Au Hing Lun, Dennis
(Deputy Chief Executive Officer)

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Luk Koon Hoo
Mr. Patrick Thomas Siewert
Mr. Cheung Ching Leung, David

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. Auyang Ho
Dr. Owyang King

EXECUTIVE COMMITTEE

Mr. Auyang Ho *(Chairman)*
Dr. Owyang King
Mr. Au Hing Lun, Dennis

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Soon Yuk Tai

INVESTOR RELATIONS

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REGISTERED OFFICE

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WEBSITE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young

LEGAL ADVISOR

Reed Smith Richards Butler

PRINCIPAL BANKERS

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

STOCK CODE

320

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 September 2016

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 2016 (the "Period") together with the comparative figures for the six months ended 30 September 2015.

	Notes	For the six months ended 30 September	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
REVENUE			
Cost of sales	3, 4	1,707,600 (1,473,874)	1,668,793 (1,475,271)
Gross profit		233,726	193,522
Other income		14,136	5,319
Selling and distribution expenses		(47,599)	(41,232)
Administrative expenses		(130,163)	(106,764)
Other operating expenses, net		(10,368)	(6,396)
Finance costs	5	(4,835)	(4,575)
Share of profit of an associate		830	437
PROFIT BEFORE TAX	6	55,727	40,311
Income tax expense	7	(13,657)	(7,827)
PROFIT FOR THE PERIOD		42,070	32,484
ATTRIBUTABLE TO:			
Owners of the Company		42,073	32,486
Non-controlling interests		(3)	(2)
		42,070	32,484
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	5.04 HK cents	3.90 HK cents
Diluted		5.00 HK cents	3.84 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2016

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	42,070	32,484
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	7,414	(7,050)
Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss	(2,370)	2,176
	5,044	(4,874)
Exchange differences on translation of foreign operations	(20,890)	(10,632)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	(15,846)	(15,506)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	26,224	16,978
Attributable to:		
Owners of the Company	26,227	16,980
Non-controlling interests	(3)	(2)
	26,224	16,978

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	Notes	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	158,608	159,388
Goodwill		36,420	36,420
Club debenture		705	705
Intangible assets		104,183	99,766
Interest in an associate		5,797	4,967
Available-for-sale investment		5,439	5,439
Prepayments and deposits		3,344	3,342
Total non-current assets		314,496	310,027
CURRENT ASSETS			
Inventories		659,643	609,045
Trade receivables	11	727,016	700,120
Prepayments, deposits and other receivables		53,988	43,261
Tax recoverable		5,041	3,562
Derivative financial instruments		13,766	3,550
Cash and cash equivalents		516,913	544,427
Total current assets		1,976,367	1,903,965
CURRENT LIABILITIES			
Trade and bills payables	12	689,656	652,034
Other payables and accrued liabilities		89,623	85,044
Interest-bearing bank borrowings		262,897	266,928
Amounts due to non-controlling shareholders		160	160
Dividend payable		48,512	–
Derivative financial instruments		2,484	–
Tax payable		17,072	9,187
Total current liabilities		1,110,404	1,013,353
NET CURRENT ASSETS		865,963	890,612
TOTAL ASSETS LESS CURRENT LIABILITIES (to be continued)		1,180,459	1,200,639

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2016

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES (continued)	1,180,459	1,200,639
NON-CURRENT LIABILITIES		
Deferred tax liabilities	14,145	14,030
Net assets	1,166,314	1,186,609
EQUITY		
Equity attributable to owners of the Company		
Issued capital	83,642	83,393
Reserves	1,081,885	1,102,426
	1,165,527	1,185,819
Non-controlling interests	787	790
Total equity	1,166,314	1,186,609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2016

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium	Contributed surplus	Share option reserve	Hedging reserve	Exchange fluctuation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2016 (unaudited)										
At 1 April 2016 (audited)	83,393	389,711	1,879	9,426	3,389	26,906	671,115	1,185,819	790	1,186,609
Profit for the period	-	-	-	-	-	-	42,073	42,073	(3)	42,070
Other comprehensive income/ (expense) for the period:										
Cash flow hedges, net of tax	-	-	-	-	5,044	-	-	5,044	-	5,044
Exchange differences on translation of foreign operations	-	-	-	-	-	(20,890)	-	(20,890)	-	(20,890)
Total comprehensive income for the period	-	-	-	-	5,044	(20,890)	42,073	26,227	(3)	26,224
Issue of shares upon exercise of share options	249	2,236	-	(792)	-	-	-	1,693	-	1,693
Equity-settled share option arrangements	-	-	-	300	-	-	-	300	-	300
Final 2016 dividend declared	-	-	-	-	-	-	(48,512)	(48,512)	-	(48,512)
At 30 September 2016 (unaudited)	83,642	391,947	1,879	8,934	8,433	6,016	664,676	1,165,527	787	1,166,314
For the six months ended 30 September 2015 (unaudited)										
At 1 April 2015 (audited)	83,000	386,419	1,879	9,440	3,091	30,612	610,918	1,125,359	806	1,126,165
Profit for the period	-	-	-	-	-	-	32,486	32,486	(2)	32,484
Other comprehensive expense for the period:										
Cash flow hedges, net of tax	-	-	-	-	(4,874)	-	-	(4,874)	-	(4,874)
Exchange differences on translation of foreign operations	-	-	-	-	-	(10,632)	-	(10,632)	-	(10,632)
Total comprehensive income for the period	-	-	-	-	(4,874)	(10,632)	32,486	16,980	(2)	16,978
Issue of shares upon exercise of share options	393	3,292	-	(1,122)	-	-	-	2,563	-	2,563
Equity-settled share option arrangements	-	-	-	788	-	-	-	788	-	788
Final 2015 dividend declared	-	-	-	-	-	-	(37,415)	(37,415)	-	(37,415)
At 30 September 2015 (unaudited)	83,393	389,711	1,879	9,106	(1,783)	19,980	605,989	1,108,275	804	1,109,079

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2016

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	41,809	12,709
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(52,916)	(64,931)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(8,036)	(1,262)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,143)	(53,484)
Cash and cash equivalents at beginning of period	544,427	639,654
Effect of foreign exchange rate changes, net	(8,371)	(3,915)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	516,913	582,255
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	395,803	392,823
Time deposits with original maturity of less than three months when acquired	121,110	189,432
	516,913	582,255

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2016 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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Save for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs"), which include HKASs, during the Period as set out in note 2.2 below, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2016.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current period, the Group has applied, for the first time, the following revised HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2016.

Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014 Cycle</i>	<i>Equity Method in Separate Financial Statements</i> Amendments to a number of HKFRSs

The adoption of the revised HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

3. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax.

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September		30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	621,507	612,659	822,312	802,834	263,781	253,300	1,707,600	1,668,793
Segment results	82,587	78,197	16,055	(10,369)	11,557	8,167	110,199	75,995
Bank interest income							1,718	3,667
Other income (excluding bank interest income)							12,418	730
Corporate and other unallocated expenses							(64,603)	(35,943)
Finance costs							(4,835)	(4,575)
Share of profit of an associate	830	437	-	-	-	-	830	437
Profit before tax							55,727	40,311
Income tax expense							(13,657)	(7,827)
Profit for the period							42,070	32,484

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	30 September	31 March	30 September	31 March	30 September	31 March	30 September	31 March
	2016 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2016 (Audited) HK\$'000	2016 (Unaudited) HK\$'000	2016 (Audited) HK\$'000
Segment assets	706,055	791,067	605,983	334,447	191,686	281,842	1,503,724	1,407,356
Interest in an associate	5,797	4,967	-	-	-	-	5,797	4,967
Corporate and other unallocated assets							781,342	801,669
Total assets							2,290,863	2,213,992

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

5. FINANCE COSTS

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank loans	4,835	4,575

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories sold	1,457,480	1,457,301
Depreciation	18,505	17,635
Amortisation of intangible assets [#]	25,942	20,959
Write-down of inventories to net realisable value ^{##}	16,394	17,970
Bank interest income	(1,718)	(3,667)
Foreign exchange differences, net ^{###}	4,652	932
Impairment of trade receivables ^{###}	5,483	5,575

[#] The amortisation of intangible assets for the Period is included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

^{##} Write-down of inventories to net realisable value is included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

^{###} Foreign exchange differences, net and impairment of trade receivables are included in "Other operating expenses, net" on the face of the condensed consolidated statement of profit or loss.

Included in other operating expenses, net for the Period is the impairment of trade receivables of HK\$3,300,000 (2015: HK\$3,500,000) relating to the trade receivables from Fagor Electrodomecicos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A. Details are disclosed in the Company's annual report for the year ended 31 March 2016 (note 19 to the financial statements).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current – Hong Kong	7,880	5,754
Current – Mainland China and other countries	5,662	2,106
Deferred	115	(33)
Total tax charge for the period	13,657	7,827

No share of tax attributable to associate (2015: Nil) is included in "Share of profit of an associate" in the condensed consolidated statement of profit or loss.

8. DIVIDENDS

No payment of interim dividend for the six months ended 30 September 2016 is recommended (2015: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of HK\$42,073,000 (six months ended 30 September 2015: HK\$32,486,000) and the weighted average number of ordinary shares of 834,515,000 (six months ended 30 September 2015: 832,239,000) in issue during the Period.

The calculation of diluted earnings per share is based on the profit for the Period attributable to owners of the Company of HK\$42,073,000 (six months ended 30 September 2015: HK\$32,486,000). The weighted average number of ordinary shares used in the calculation of 840,830,000 (six months ended 30 September 2015: 845,501,000) is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

A reconciliation between the weighted average number of shares used in calculating the basic and diluted earnings per share is as follows:

	For the six months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)
Weighted average number of ordinary shares used in calculating the basic earnings per share	834,515,000	832,239,000
Weighted average number of ordinary shares assumed to have been issued at nil consideration on deemed exercise of all dilutive options in issue during the period	6,315,000	13,262,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	840,830,000	845,501,000

10. MAJOR ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group purchased property, plant and equipment amounting to approximately HK\$24,560,000 (six months ended 30 September 2015: HK\$37,776,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

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 four months (31 March 2016: 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 trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Current and due within 1 month	683,075	636,907
1 to 2 months	14,310	16,946
2 to 3 months	6,428	13,891
Over 3 months	23,203	32,376
	727,016	700,120

Included in trade receivables is an amount due from an associate of HK\$21,630,000 (31 March 2016: HK\$13,963,000) which is repayable on credit terms similar to those offered to the major customers of the Group.

12. TRADE AND BILLS PAYABLES

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

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Current and due within 1 month	566,189	548,620
1 to 2 months	105,744	92,017
2 to 3 months	2,194	3,934
Over 3 months	15,529	7,463
	689,656	652,034

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

13. SHARE OPTION SCHEME

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. The first share option scheme adopted by the Company on 15 September 2006 (the "2006 Scheme") has expired on 15 September 2016. Details of the 2006 Scheme are set out in the Company's annual report for the year ended 31 March 2016 (note 28 to the financial statements). Unless otherwise cancelled or lapsed in accordance with the 2006 Scheme, the outstanding share options granted under the 2006 Scheme would remain exercisable. At the annual general meeting of the Company held on 14 September 2016, the Company adopted a new share option scheme (the "2016 Scheme") which, unless otherwise cancelled or terminated, would remain in force for 10 years from the adoption date. A summary of the 2016 Scheme has been set out in the circular of the Company dated 25 July 2016. Up to the date of this interim report, no share options have been granted since the adoption of the 2016 Scheme.

Details and movements of the share options of the Company granted under the 2006 Scheme during the six months ended 30 September 2016 are as follows:

Category of participants	Number of share options					Exercise period of share options	Date of share options vested/to be vested	Exercise price per share HK\$	The price of the Company's shares at the grant date HK\$
	As at 1 April 2016	Granted during the Period ¹	Exercised during the Period ²	As at 30 September 2016	Date of grant of share options ³				
Senior management and other employees in aggregate	262,000	-	-	262,000	27 September 2007	From 31 August 2008 to 30 August 2017	31 August 2008	1.75	1.75
	262,000	-	-	262,000	27 September 2007	From 31 August 2009 to 30 August 2017	31 August 2009	1.75	1.75
	262,000	-	-	262,000	27 September 2007	From 31 August 2010 to 30 August 2017	31 August 2010	1.75	1.75
	240,000	-	-	240,000	22 October 2015	From 22 October 2016 to 21 October 2025	22 October 2016	1.24	1.24
	240,000	-	-	240,000	22 October 2015	From 22 October 2017 to 21 October 2025	22 October 2017	1.24	1.24
	320,000	-	-	320,000	22 October 2015	From 22 October 2018 to 21 October 2025	22 October 2018	1.24	1.24
	-	240,000	-	240,000	28 April 2016	From 28 April 2017 to 27 April 2026	28 April 2017	1.174	1.13
	-	360,000	-	360,000	28 April 2016	From 28 April 2018 to 27 April 2026	28 April 2018	1.174	1.13
	-	440,000	-	440,000	28 April 2016	From 28 April 2019 to 27 April 2026	28 April 2019	1.174	1.13
	-	160,000	-	160,000	28 April 2016	From 28 April 2020 to 27 April 2026	28 April 2020	1.174	1.13
	1,586,000	1,200,000	-	2,786,000					

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

13. SHARE OPTION SCHEME *(continued)*

Details and movements of the share options of the Company granted under the 2006 Scheme during the six months ended 30 September 2016 are as follows *(continued)*:

Category of participants	Number of share options					Date of grant of share options ³	Exercise period of share options	Date of share options vested/to be vested	Exercise price per share HK\$	The price of the Company's shares at the grant date HK\$
	As at 1 April 2016	Granted during the Period ¹	Exercised during the Period ²	As at 30 September 2016						
Director										
Dr. Owyang King	2,400,000	-	-	2,400,000	30 April 2010	From 30 April 2011 to 29 April 2020	30 April 2011	1.05	1.05	
	2,400,000	-	-	2,400,000	30 April 2010	From 30 April 2012 to 29 April 2020	30 April 2012	1.05	1.05	
	3,200,000	-	-	3,200,000	30 April 2010	From 30 April 2013 to 29 April 2020	30 April 2013	1.05	1.05	
	2,400,000	-	-	2,400,000	28 June 2011	From 28 June 2012 to 27 June 2021	28 June 2012	0.79	0.79	
	2,400,000	-	-	2,400,000	28 June 2011	From 28 June 2013 to 27 June 2021	28 June 2013	0.79	0.79	
	3,200,000	-	-	3,200,000	28 June 2011	From 28 June 2014 to 27 June 2021	28 June 2014	0.79	0.79	
	1,200,000	-	-	1,200,000	6 August 2012	From 6 August 2014 to 5 August 2022	6 August 2014	0.375	0.375	
	1,600,000	-	-	1,600,000	6 August 2012	From 6 August 2015 to 5 August 2022	6 August 2015	0.375	0.375	
	-	1,600,000	-	1,600,000	28 April 2016	From 28 April 2017 to 27 April 2026	28 April 2017	1.174	1.13	
	-	1,600,000	-	1,600,000	28 April 2016	From 28 April 2018 to 27 April 2026	28 April 2018	1.174	1.13	
	-	1,600,000	-	1,600,000	28 April 2016	From 28 April 2019 to 27 April 2026	28 April 2019	1.174	1.13	
	-	1,600,000	-	1,600,000	28 April 2016	From 28 April 2020 to 27 April 2026	28 April 2020	1.174	1.13	
	-	1,600,000	-	1,600,000	28 April 2016	From 28 April 2021 to 27 April 2026	28 April 2021	1.174	1.13	
	<u>18,800,000</u>	<u>8,000,000</u>	<u>-</u>	<u>26,800,000</u>						

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

13. SHARE OPTION SCHEME *(continued)*

Details and movements of the share options of the Company granted under the 2006 Scheme during the six months ended 30 September 2016 are as follows *(continued)*:

Category of participants	Number of share options				Date of grant of share options ³	Exercise period of share options	Date of share options vested/to be vested	Exercise price per share HK\$	The price of the Company's shares at the grant date HK\$
	As at 1 April 2016	Granted during the Period ¹	Exercised during the Period ²	As at 30 September 2016					
Director									
Mr. Au Hing Lun, Dennis	2,490,000	-	(2,490,000)	-	4 July 2014	From 4 July 2016 to 3 July 2024	4 July 2016	0.68	0.68
	3,320,000	-	-	3,320,000	4 July 2014	From 4 July 2017 to 3 July 2024	4 July 2017	0.68	0.68
	5,810,000	-	(2,490,000)	3,320,000					
Sub-total of director category	24,610,000	8,000,000	(2,490,000)	30,120,000					
Total	26,196,000	9,200,000	(2,490,000)	32,906,000					

Notes:

- 8,000,000 share options were granted to a director while 1,200,000 share options were granted to a member of the senior management of the Company under the 2006 Scheme on 28 April 2016. The closing price of the Company's shares immediately before such date of grant was HK\$1.13. The fair values of share options granted to the director and the member of senior management during the six months ended 30 September 2016 were HK\$4,522,000 and HK\$508,000 respectively. The fair value was estimated as at the date of grant, using a trinomial model, taking into account the terms and conditions upon which the options were granted. Inputs to the model used include expected dividend yield 3.98%, expected volatility 63.76%, risk-free interest rate 1.358% and expected life of options of 10 years. The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.
- 2,490,000 share options were exercised by a director on 19 August 2016. The weighted average closing price of the Company's shares immediately before the exercise date of the share options was HK\$1.09 per share as at 18 August 2016. No share options have been cancelled or lapsed during the six months ended 30 September 2016.
- The vesting period of the share options granted is from the date of grant until the commencement of the exercise period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2016

14. COMMITMENTS

As at 30 September 2016, the Group had contracted but not provided for capital commitments, mainly for the acquisition of plant and equipment of HK\$11,084,000 (31 March 2016: HK\$2,382,000).

15. RELATED PARTY TRANSACTIONS

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

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

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Sale of finished goods to an associate	35,097	23,315

(b) Compensation of key management personnel of the Group

	For the six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short term employee benefits	20,562	14,681
Post-employment benefits	81	99
Equity-settled share option expenses	300	788
	20,943	15,568

16. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board on 24 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF RESULTS

The Group's turnover for the Period amounted to HK\$1,707,600,000, rising by approximately 2.3% from the same period last year. The consolidated net profit attributable to owners of the Company was HK\$42,073,000 for the Period, compared to HK\$32,486,000 for the six months ended 30 September 2015. Basic earnings per share for the Period amounted to 5.04 HK cents, compared to 3.90 HK cents for the same period last year.

BUSINESS REVIEW AND FINANCIAL HIGHLIGHTS

Turnover

Turnover of the Group amounted to HK\$1,707,600,000 for the Period, representing an increase of 2.3% over the same period last year. The increase in turnover was mainly due to the continuing economic expansion in the United States, and our success in Europe despite its market weakness. We managed to increase our sales moderately across the board by segment.

Profitability and Margin

Gross profit for the Period was HK\$233,726,000, representing an increase of 20.8% when compared with HK\$193,522,000 for the same period last year. Gross profit margin increased to 13.7% for the Period, compared to 11.6% for the same period last year, which was mainly due to the increase in sales, material cost savings, material usage and labor efficiency improvement, and control of fixed costs, which more than offset the scheduled price declines. On the other hand, our selling and administrative expenses increased by 20.1%, reflecting our continued investments in expanding sales channels for Salus Europe and Salus North America, increasing research and development projects, and expansion of branded distribution business. As a result, consolidated net profit attributable to owners of the Company increased by 29.5% to HK\$42,073,000 as compared with HK\$32,486,000 for the same period last year.

The Group recorded other income of HK\$14,136,000 for the Period, compared with HK\$5,319,000 for the same period last year. Other income mainly comprised of interest income generated from bank deposits and income received for vendor contract termination totaling HK\$9,722,000.

Segment margin improved to 6.5% for the Period, compared to 4.6% for the same period last year. The increase in segment margin was mainly attributable to the turn-around of the Appliance Controls business from loss of 1.3% to profit margin of 2.0% for the Period, through the continuous achievement of cost reduction.

OUTLOOK

The Group continued to successfully execute our strategy of increasing profitability by growing the high margin businesses, pursuing cost reduction efforts and controlling fixed costs; all of which resulted in a substantial improvement in financial performance in this interim period compared to prior year. All segments recorded gains, both in terms of sales and segment profitability. We believe a strong foundation has been laid in the execution of this strategy, and we are confident in maintaining our momentum in these areas.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK *(continued)*

The macro-economic environment, however, remains challenging with a high level of uncertainty. In spite of this, the Group remains positive in our ability to execute and maintain our growth. We expect to do so by leveraging our core capabilities in electronic controls and wireless technologies to introduce high value products to our partners and customers worldwide, especially in the areas of smart energy and IoT (Internet of Things) connected devices. The Group believes that the long term growth potential in these markets will continue to help increase shareholder value.

The operating environment for manufacturing in Mainland China remains challenging with regulatory requirements, workers expected higher wages and inflation, in addition to currency fluctuation. To counter these cost increases, the Group has and will continue to improve operational efficiencies by implementing automation and lean manufacturing strategies, as well as leverage our purchasing power to drive aggressive material cost saving targets. This is evidenced by the improvement in our Gross Margin during this Period, and the Group will continue to relentlessly improve our competitive position by driving productivity and quality improvements in our operations and cost reduction efforts.

Due to macro-economic uncertainty, including the new administration in the United States whose economic and trade policies are yet to be clearly defined, as well as the high level of competition in the market for electronic control devices, the Group expects its customer orders will continue to fluctuate in the coming years. The Group may also continue to face certain risks including the foreign currency risk related to the Euro, Great British Pound ("GBP") and Renminbi ("RMB"). The Group maintains a hedging strategy that minimizes the impact of sudden steep fluctuations such as the recent "Brexit" driven GBP devaluation; however, no hedging strategy can perfectly eliminate all foreign currency risks. We also face risks related to inflation in China, labour supply, materials shortage, customers and suppliers' difficulty in meeting contractual obligations, financial difficulties resulting in customers and suppliers' illiquidity and global events and actions, including war and terrorism. These risks and others could materially impact the Group's sales, profit margins, and cash flow.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a sound financial and liquidity position in the Period. As at 30 September 2016, the Group maintained a balance of cash and cash equivalents of HK\$516,913,000, which included cash and bank balance of HK\$167,588,000 denominated in RMB. The remaining balance was mainly denominated in United States dollars ("US dollars") or Hong Kong dollars. Overall, the Group maintained a robust current ratio of 1.78 times.

As at 30 September 2016, total interest-bearing bank borrowings were HK\$262,897,000, comprising primarily bank import loans repayable within one year. The majority of these borrowings were denominated either in US dollars, Hong Kong dollars or Euro zone currencies and the interest rates applied were primarily subject to floating rate terms.

As at 30 September 2016, total equity attributable to owners of the Company amounted to HK\$1,165,527,000. The Group had a net cash balance of HK\$254,016,000, representing total cash and cash equivalents less total interest-bearing bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Group is exposed to foreign exchange risk through sales and purchase that are dominated in currencies other than the functional currency of the operations to which they relate. The currencies involved are primarily Euro, GBP and RMB. As at 30 September 2016, the Group had outstanding foreign currency forward contracts to sell Euro 52,300,000 buy US dollars, sell GBP 10,400,000 buy US dollars, and sell US dollars 36,000,000 buy RMB. These forward contracts were entered into for hedging purposes. The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimise the relevant exposures.

CAPITAL EXPENDITURES AND COMMITMENTS

During the Period, the Group incurred total capital expenditures of approximately HK\$54,634,000 for additions to property, plant and equipment as well as for deferred expenditures associated with the development of new products.

As at 30 September 2016, the Group had capital commitments contracted but not provided for the amount of HK\$11,084,000, mainly for the acquisition of plant and equipment.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

CHARGES ON ASSETS

As at 30 September 2016, no bank deposits and other assets have been pledged to secure the Group's banking facilities.

EMPLOYEE INFORMATION

As at 30 September 2016, the Group had a total of approximately 4,300 full-time employees. Total staff costs for the Period amounted to HK\$220,254,000. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company has also adopted a share option scheme under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Up to the date of this report, 32,726,000 share options remained outstanding under the 2006 Scheme.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout 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 inside information relating to the Company or its securities) (the "Own Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the Period.

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

AUDIT COMMITTEE

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

Messrs. Ernst & Young, the Company's external auditors, have been engaged by the Company to conduct certain procedures on the Group's interim condensed consolidated financial statements for the Period in accordance with 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 adopted by the Group in preparing this interim financial information and the relevant disclosures made in accordance with the requirements of HKAS 34 and Appendix 16 to the Listing Rules.

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

As at 30 September 2016, the interests of the directors of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(1) Long position 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 <i>(Note)</i>	42.14%
	Beneficial owner	10,716,000	1.29%
		363,216,000	43.43%
Dr. Owyang King	Beneficial owner	3,094,000	0.37%
Mr. Au Hing Lun, Dennis	Beneficial owner	5,500,000	0.66%

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

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2016.

OTHER INFORMATION

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

(continued)

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

Name of director	Capacity	Number of underlying shares in respect of the share options granted	*Approximate percentage of the Company's issued share capital
Dr. Owyang King	Beneficial owner	26,800,000	3.20%
Mr. Au Hing Lun, Dennis	Beneficial owner	3,320,000	0.40%

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

* *The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 September 2016.*

Save as disclosed above, as at 30 September 2016, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

As at 30 September 2016, 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 under 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)	42.14%
Ms. Tse Shuk Ming	Interest of spouse	363,216,000 (Note 2)	43.43%
Crystalplaza Limited	Beneficial owner	133,500,000 (Note 3)	15.96%
Little Venice Limited	Beneficial owner	81,690,000 (Note 3)	9.77%
Ms. Leung Yee Li, Lana	Interest of controlled corporations	215,190,000 (Note 3)	25.73%
Mr. Heung Lap Chi, Eugene	Interest of spouse	215,190,000 (Note 4)	25.73%

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 363,216,000 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 81,690,000 shares), both companies were wholly-owned by Ms. Leung Yee Li, Lana.
 4. Mr. Heung Lap Chi, Eugene was deemed to be interested in 215,190,000 shares of the Company through the interest of his spouse, Ms. Leung Yee Li, Lana.
- * The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 September 2016.

OTHER INFORMATION

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

Save as disclosed above, as at 30 September 2016, no person, other than the directors 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 under 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
Computime Group Limited
Auyang Ho
Chairman

Hong Kong, 24 November 2016