



computime
SINCE 1974

Computime Group Limited

金寶通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 320)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2007**

The board of directors (the “Board”) of Computime Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2007 (the “Year”) together with the comparative figures for the year ended 31 March 2006 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
REVENUE	3	2,003,003	1,908,475
Cost of sales		<u>(1,662,650)</u>	<u>(1,533,694)</u>
Gross profit		340,353	374,781
Other income and gains	4	64,951	16,769
Selling and distribution costs		(79,638)	(82,584)
Administrative expenses		(131,351)	(129,828)
Other operating expenses		(6,145)	(8,563)
Finance costs	5	(20,121)	(22,360)
Share of profits and losses of associates		<u>2,239</u>	<u>4,508</u>
PROFIT BEFORE TAX	6	170,288	152,723
Tax	7	<u>(12,101)</u>	<u>(13,878)</u>
PROFIT FOR THE YEAR		<u>158,187</u>	<u>138,845</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		153,185	140,127
Minority interests		<u>5,002</u>	<u>(1,282)</u>
		<u>158,187</u>	<u>138,845</u>
DIVIDENDS	8	<u>81,480</u>	<u>65,000</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	9		
Basic (<i>HK cents</i>)		<u>21.6</u>	<u>23.4</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

As at 31 March 2007

	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		175,167	167,831
Prepaid land lease payments		—	4,005
Goodwill		1,744	—
Club debenture		705	705
Intangible assets		17,277	19,004
Interests in associates		<u>5,607</u>	<u>5,669</u>
Total non-current assets		<u>200,500</u>	<u>197,214</u>
CURRENT ASSETS			
Inventories		386,567	277,865
Trade receivables	10	406,752	317,407
Prepayments, deposits and other receivables		34,231	29,333
Amounts due from associates		18,060	9,902
Derivative financial instrument		—	3,900
Tax recoverable		30	544
Cash and cash equivalents		<u>539,206</u>	<u>187,973</u>
Total current assets		<u>1,384,846</u>	<u>826,924</u>
CURRENT LIABILITIES			
Trade and bills payables	11	337,579	296,491
Other payables and accrued liabilities		92,359	112,423
Interest-bearing bank and other borrowings		252,837	220,363
Dividend payable		—	50,000
Amounts due to minority shareholders		160	850
Tax payable		<u>8,365</u>	<u>6,363</u>
Total current liabilities		<u>691,300</u>	<u>686,490</u>
NET CURRENT ASSETS		<u>693,546</u>	<u>140,434</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>894,046</u>	<u>337,648</u>

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>NON-CURRENT LIABILITIES</i>		
Interest-bearing bank and other borrowings	20,577	26,602
Deferred tax liabilities	5,006	5,006
Provision for long service payments	<u>5,978</u>	<u>5,703</u>
Total non-current liabilities	<u>31,561</u>	<u>37,311</u>
Net assets	<u>862,485</u>	<u>300,337</u>
EQUITY		
Equity attributable to equity holders		
of the Company		
Issued capital	83,000	—
Reserves	746,627	285,337
Proposed final dividend	<u>31,540</u>	<u>15,000</u>
	861,167	300,337
Minority interests	<u>1,318</u>	<u>—</u>
Total equity	<u>862,485</u>	<u>300,337</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND REORGANISATION

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.

Pursuant to a reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 16 September 2006 (the "Group Reorganisation"). Further details of the Group Reorganisation pursuant thereto are set out in the prospectus of the Company dated 25 September 2006 (the "Prospectus").

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the years ended 31 March 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 April 2005. The comparative consolidated balance sheet as at 31 March 2006 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a derivative financial instrument which has been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”), except when otherwise indicated.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

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

Impact of new and revised HKFRSs

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

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

Impact of issued but not yet effective HKFRSs

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 "Segment Reporting".

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

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 the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new

or amended disclosures. The Group has already commenced an assessment of the impact of the other new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the results of operations and financial position.

3. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the building and home controls segment is engaged in the research and development, design, manufacture, trading and distribution of building and home control products;
- (b) the appliance controls segment is engaged in the research and development, design, manufacture and trading of appliance control products; and
- (c) the commercial and industrial controls segment is engaged in the research and development, design, manufacture, trading and distribution of commercial and industrial control products.

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

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

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information on the Group's business segments for the years ended 31 March 2007 and 2006:

	Building and home controls		Appliance controls		Commercial and industrial controls		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Segment revenue:								
Sales to external customers	<u>944,465</u>	<u>1,046,603</u>	<u>775,541</u>	<u>582,777</u>	<u>282,997</u>	<u>279,095</u>	<u>2,003,003</u>	<u>1,908,475</u>
Segment results	<u>103,722</u>	<u>119,984</u>	<u>20,305</u>	<u>32,303</u>	<u>20,160</u>	<u>18,013</u>	144,187	170,300
Bank interest income							33,506	2,505
Other income and gains (excluding bank interest income)							31,445	14,264
Corporate and other unallocated expenses							(20,968)	(16,494)
Finance costs							(20,121)	(22,360)
Share of profits and losses of associates	2,239	4,508	—	—	—	—	<u>2,239</u>	<u>4,508</u>
Profit before tax							170,288	152,723
Tax							<u>(12,101)</u>	<u>(13,878)</u>
Profit for the year							<u>158,187</u>	<u>138,845</u>
Assets and liabilities								
Segment assets	194,683	193,508	238,883	224,707	44,212	30,863	477,778	449,078
Interests in associates	23,667	15,571	—	—	—	—	23,667	15,571
Corporate and other unallocated assets							<u>1,083,901</u>	<u>559,489</u>
Total assets							<u>1,585,346</u>	<u>1,024,138</u>
Segment liabilities	31,580	25,241	29,222	22,629	2,686	3,148	63,488	51,018
Corporate and other unallocated liabilities							<u>659,373</u>	<u>672,783</u>
Total liabilities							<u>722,861</u>	<u>723,801</u>
Other segment information:								
Amortisation of deferred expenditure	9,223	9,037	5,085	3,587	4,096	3,236	18,404	15,860
Amortisation of other asset	<u>1,276</u>	<u>1,700</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,276</u>	<u>1,700</u>

(b) **Geographical segments**

The following table presents revenue information on the Group's geographical segments for the years ended 31 March 2007 and 2006:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Segment revenue:		
Sales to external customers:		
The Americas	1,156,920	1,419,315
Europe	593,845	301,379
Asia	211,205	133,212
Other regions	<u>41,033</u>	<u>54,569</u>
Total	<u><u>2,003,003</u></u>	<u><u>1,908,475</u></u>

4. OTHER INCOME AND GAINS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Bank interest income	33,506	2,505
Engineering fee income	3,310	5,959
Handling and testing fee income	3,318	4,311
Sale of materials	1,722	1,866
Gain on disposal of associates	10,065	—
Gain on disposal of items of property, plant and equipment, net	9,667	79
Sundry income	<u>3,363</u>	<u>2,049</u>
	<u><u>64,951</u></u>	<u><u>16,769</u></u>

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	19,320	21,803
Finance leases	<u>801</u>	<u>557</u>
	<u><u>20,121</u></u>	<u><u>22,360</u></u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Cost of inventories sold [#]	1,654,086	1,530,029
Depreciation	29,613	24,375
Research and development costs:		
Amortisation of deferred expenditure ^{##}	18,404	15,860
Current year expenditure	<u>27,190</u>	<u>13,326</u>
	<u>45,594</u>	<u>29,186</u>
Amortisation of other asset ^{##}	1,276	1,700
Provision against inventories	8,564	3,665
Recognition of prepaid land lease payments	106	106
Minimum lease payments under operating leases of land and buildings	29,446	25,408
Auditors' remuneration	1,019	520
Employee benefits expense [#] (including directors' remuneration):		
Wages, salaries and other benefits	157,812	135,991
Pension scheme contributions	1,522	1,776
Provision for long service payments	275	207
Provision for untaken paid leave	<u>276</u>	<u>982</u>
	<u>159,885</u>	<u>138,956</u>
Foreign exchange differences, net	<u>6,115</u>	<u>6,843</u>

Employee benefits expenses of HK\$90,177,000 (2006: HK\$69,144,000) are also included in "Cost of inventories sold" above.

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

As at 31 March 2007, the Group had no forfeited contribution available to reduce its contributions to the pension schemes in future years (2006: Nil).

7. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Pursuant to the income tax laws of the People's Republic of China (the "PRC"), Computime Electronics (Shenzhen) Co. Ltd., a wholly-owned subsidiary of the Company, is 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 is granted a 50% reduction in tax for the three years thereafter.

Computime Electronics (Shenzhen) Co. Ltd. is entitled to 50% tax relief for the year ended 31 March 2007 whereas it was fully exempt from CIT for the year ended 31 March 2006 as that was its second profitable year of operations.

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Group:		
Current — Hong Kong	9,239	13,878
Current — Mainland China	<u>2,862</u>	<u>—</u>
Total tax charge for the year	<u><u>12,101</u></u>	<u><u>13,878</u></u>

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

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

	2006					
	Hong Kong		Mainland China		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit before tax	<u>145,342</u>		<u>7,381</u>		<u>152,723</u>	
Tax at the statutory tax rates	25,435	17.5	2,436	33.0	27,871	18.2
Lower tax rate for specific province and as a result of tax holidays	—	—	(1,329)	(18.0)	(1,329)	(0.9)
Profits and losses attributable to associates	(789)	(0.5)	—	—	(789)	(0.5)
Net profits from operation not subject to tax	(14,201)	(9.8)	—	—	(14,201)	(9.3)
Income not subject to tax	(453)	(0.3)	—	—	(453)	(0.3)
Expenses not deductible for tax	3,893	2.7	28	0.4	3,921	2.6
Tax losses utilised from previous periods	<u>(7)</u>	<u>(0.1)</u>	<u>(1,135)</u>	<u>(15.4)</u>	<u>(1,142)</u>	<u>(0.7)</u>
Tax charge at the Group's effective rate	<u>13,878</u>	<u>9.5</u>	<u>—</u>	<u>—</u>	<u>13,878</u>	<u>9.1</u>

The share of tax attributable to associate amounting to HK\$223,000 (2006: Nil) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

8. DIVIDENDS

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Special dividend [#]	35,000	—
Interim - HK\$0.018 per ordinary share	14,940	—
Proposed final - HK\$0.038 per ordinary share	31,540	—
Dividends declared and paid by a subsidiary ^{##}	<u>—</u>	<u>65,000</u>
	<u>81,480</u>	<u>65,000</u>

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

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

Since the Company was incorporated on 23 June 2006, no dividend was paid by the Company for the year ended 31 March 2006. Computime

International Limited, a subsidiary of the Company and the then holding company of the Group, paid an interim dividend of HK\$50,000,000 and a final dividend of HK\$15,000,000 for the year ended 31 March 2006 to its then shareholders prior to the Group Reorganisation.

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 year attributable to equity holders of the Company of HK\$153,185,000 (2006: HK\$140,127,000) and the weighted average of 709,315,000 (2006: 600,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2006 includes the pro forma issued share capital of the Company of 600,000,000 shares, comprising:

- (i) the 1 share and 399 shares of the Company allotted and issued at nil paid on 23 June 2006 and 16 September 2006, respectively; and
- (ii) the capitalisation issue of 599,999,600 shares.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 March 2007 includes the weighted average of 109,315,000 shares issued upon the listing of the Company's shares on the Stock Exchange in October 2006 in addition to the aforementioned 600,000,000 ordinary shares.

No diluted earnings per share are presented for the years ended 31 March 2007 and 2006 as no diluting events occurred during the years.

10. 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. The Group maintains strict credit control over its customers and outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	300,754	276,325
1 to 2 months	15,626	15,407
2 to 3 months	23,512	8,709
Over 3 months	<u>66,860</u>	<u>16,966</u>
	<u>406,752</u>	<u>317,407</u>

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

11. TRADE AND BILLS PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 1 month	325,838	273,531
1 to 2 months	2,579	16,085
2 to 3 months	745	2,043
Over 3 months	<u>8,417</u>	<u>4,832</u>
	<u>337,579</u>	<u>296,491</u>

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

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 7 September 2007 (the “2007 AGM”) a final dividend of HK\$0.038 per share for the Year to be paid on or about 5 October 2007 to those shareholders whose names appear on the register of members of the Company on 7 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 4 September 2007 to Friday, 7 September 2007, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2007 and for attending and voting at the 2007 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later 4:30 p.m. on Monday, 3 September 2007.

ANNUAL GENERAL MEETING

It is proposed that the 2007 AGM will be held on 7 September 2007. Notice of the 2007 AGM will be sent to shareholders of the Company in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

During the Year, the Group's turnover and profit attributable to equity holders of the Company increased by approximately 5.0% to HK\$2,003,003,000 and approximately 9.3% to HK\$153,185,000 respectively, as compared with those of last year. Earnings before interest expenses, tax, depreciation and amortisation for the Year was HK\$239,702,000. During the Year, turnover from the segments of building and home controls, appliance controls, and commercial and industrial controls amounted to HK\$944,465,000, HK\$775,541,000 and HK\$282,997,000 respectively, accounting for approximately 47.2%, 38.7% and 14.1% of the Group's turnover respectively. Comparing with the amounts in the previous year, turnover of appliance controls and commercial and industrial controls segments increased by approximately 33.1% and 1.4% respectively, while that of building and home controls segment decreased by 9.8%. The Group's gross profit decreased as a result of the change in sales mix, though partly offset by the Group's continuous effort of cost reduction. In spite of this, the Group was able to maintain a stable net profit margin as a result of effective cost management even facing higher material cost, slight increase in total administrative expenses, a drop in selling and distribution costs, lower net operating interest expenses and a rise in other income. During the Year, the Group's sales to European and Asian countries had a growth of more than 80%, which is part of the Group's strategy to diversify its customer base.

Business Review

Building and Home Controls Business

Revenue from the segment remained dominant, though encountering a slight drop of 9.8% from HK\$1,046,603,000 to HK\$944,465,000. This product segment is the largest contributor to the Group's turnover during the Year under review, accounting for 47.2%.

The overall market in the United States of America (the "US") was softer than expected while the Group enriched efforts to remain sales of controls for residential and commercial buildings, including thermostats, humidification controls, timers, programmers, and safety and security products to remain steady. Strong growth was achieved in orders for home control and own branded products, although this was offset by strategical reduction of sale of licensed brand products and the timing difference in the launch of new generation of an air quality control product until last quarter of the Year.

Nevertheless, the Group's own brand, Salus, has more than doubled the sales of control products in the United Kingdom (the "UK"). Although their contribution to the overall turnover of the Group for the Year was still relatively insignificant, it is predicted that the brand will become one of the Group's growth drivers and take the Group to other regions. The Salus products with huge potential include, but not limited to, control programmers, programmable thermostats, digital electronic thermostats, under floor heating controls, frost thermostats, wiring center, cylinder thermostats and other heating, ventilation and air-conditioning controls, etc. Given these encouraging results, the Group has already begun developing a plan for expansion outside the UK. The Group also started developing business in solar energy products that is expected to contribute to growth in the segment.

Appliance Controls Business

The growth of the appliance controls business was the highest among the Group's business segments for the year ended 31 March 2007. Revenue from sales of appliance controls amounted to HK\$775,541,000, representing an increase of 33.1% compared with the year before. The revenue from this segment accounted for 38.7% of the Group's total turnover.

The major reason for this increase was the growth in sales to certain new customers during the Year in respect of sale of controllers for white goods. The Group's strategy to gain new accounts by starting with lower profit margin build to print products resulted in the decrease in segment result for the Year. However, this will enable the

Group to offer its design services to those new customers once its design capabilities are recognised by these customers, which in turn would improve the profit margin in the long term. Apart from this, the Group also diversified its product portfolio by entering into pool and spa business during the Year under review.

Commercial and Industrial Controls Business

Revenue from this segment was HK\$282,997,000, representing an increase of 1.4% from the previous year. The revenue from this segment accounted for 14.1% of the Group's total turnover.

The increase in turnover was mainly due to the increase in sales orders for healthcare products such as digital pregnancy or ovulation tests and the additions of new high-mix low-volume ("HMLV") industrial customers. Such increase was partially offset by the decision to drop certain low-margin product lines which in turn contributed to slight improvement in segment results. The well-received orders mainly resulted from the provision of cost-effective solutions to its customers with an advanced technology platform for the development of sophisticated products and system controls. These services provided to customers include design, material procurement, system assembly, product testing and global logistics.

HMLV industrial and commercial products also contributed to the segment performance during the Year. Although it did not have a major impact on the performance of this segment in the Year, it is expected to yield positive results over the long term. Consequently, the HMLV business model will be adopted for the Group's two other business segments.

Outlook

The Group sees a large market trend for the development of energy-saving and management markets. While targeting higher profit margin markets, the Group shall also enrich its efforts to reduce its reliance on the US market and expand into European and Asian markets in order to sustain growth in the controls business.

The Group will continue to place emphasis on strengthening its in-house research and development capabilities, specifically on wireless technologies that is consistently gaining market acceptance in the overall controls business.

In Europe the Group will continue to build business relationships with its appliance controls customers. Although in the short term the build to print business means lower profit margin, ultimately it will result in higher return by increasing the design content and become one of the major profit contributors for the Group.

Additionally, the Group will diversify its portfolio to include controls for products such as exercise machines, high-end brown goods and electronic access controls, as well as environmental-friendly products such as climate and solar controls, all of which should provide the Group with higher profit margins. The Group continues its effort in developing new technology. Currently, there are nine patents under application and the Group plans to commercialise certain products with wireless Zigbee technology platform developed.

Moreover, the Group will continue to identify companies that offer good possibilities for business acquisition, particularly those that will strengthen its capabilities in design and technology or with favourable network expansion.

The Salus brand products are seen as a major growth driver that will enhance the Group's reputation and capabilities as a leading global control specialist, while enabling it to expand into other European markets such as Germany, Italy, Spain, Portugal, France, the Benelux countries and Scandinavia. Seeing the great potential, the Group has acquired the remaining equity interests in Salus Controls GmbH (formerly known as Salus Technologies GmbH) and Salus Controls Plc during the Year and subsequent to the balance sheet date respectively to increase its shareholding to 100% each with a view to gain greater operational control and be ready to grasp benefits timely.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2007, the Group had bank and cash balances of HK\$539,206,000, majority of which were denominated either in US dollars or Hong Kong dollars. Average trade receivable and average inventory turnover periods were 66.0 days and 60.5 days respectively. Overall, the Group maintained a robust current ratio of 2.0 as at 31 March 2007.

As at 31 March 2007, total interest-bearing bank and other borrowings were HK\$273,414,000, comprising bank loans and overdrafts of HK\$264,612,000 and finance lease payable of HK\$8,802,000, of which HK\$252,837,000 will be repayable within one year and HK\$20,577,000 will be repayable after one year. The majority of these borrowings were denominated in Hong Kong dollars to which the interest rates applied were primarily subject to floating interest rate. As at 31 March 2007, total equity attributable to equity holders of the Company amounted to HK\$861,167,000.

As at 31 March 2007, the Group had net cash of HK\$265,792,000, representing total cash and cash equivalents less total interest-bearing bank and other borrowings. The Group's net cash position improved significantly principally because of net proceeds of approximately HK\$469,419,000 arising from the Company's issue of 230,000,000 new shares (including 30,000,000 shares issued upon the exercise of over-allotment option) at HK\$2.28 per share for listing on the Stock Exchange in October 2006.

Treasury Policies

The majority of the Group's sales and purchases are denominated in US dollars and Hong Kong dollars. Due to the fact that Hong Kong dollars are pegged to US dollars, there will not be material foreign exchange exposure. Certain production and operating overheads of the Group's production facilities in the PRC are denominated in Renminbi ("RMB"). As it is expected that RMB will continue to appreciate gradually, the Group has entered into a structured foreign exchange forward contract with a licensed bank in Hong Kong in order to reduce the exposure of RMB appreciation. The management will closely monitor any potential foreign exchange and interest rate risks and will adopt proactive but prudent approach by entering into appropriate financial instruments to minimise the relevant exposure when necessary.

Capital Expenditure

During the Year, the Group incurred total capital expenditure amounting to approximately HK\$39,193,000 of which approximately HK\$24,752,000 was spent for the purchase of tools and machinery. As at 31 March 2007, the Group did not have significant capital commitments in respect of the purchase of property, plant and equipment.

Contingent Liabilities

As at 31 March 2007, the Group did not have significant contingent liabilities.

Employee Information

As at 31 March 2007, the Group had a total of approximately 4,200 full-time employees. Salaries and wages are generally reviewed on an annual basis in accordance with individual qualifications and performance, the Group's results and market conditions. The Group provides year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy and training to its employees. The Company has also adopted a share option scheme under which the Company can grant options to, inter alia, employees of the Group to subscribe for shares of the Company with a view to rewarding those who have contributed to the Group and

encouraging employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Up to the date of this announcement, no share option has been granted 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. As at 31 March 2007, approximately HK\$3,378,000 was utilised for additional investments in two joint-venture subsidiaries of the Group (one of which has become the Group's wholly-owned subsidiary since November 2006), approximately HK\$44,176,000 was utilised for the repayment of bank borrowings, approximately HK\$44,176,000 was utilised for general corporate purposes and the remaining balance of the net proceeds was placed in certain financial institutions and licensed banks in Hong Kong as short-term deposits.

POST BALANCE SHEET EVENT

As detailed in the Company's announcement dated 30 April 2007, the Group acquired the remaining 45% of the issued shares of Salus Controls Plc, a company incorporated and registered in England and Wales and engages in the development of "Salus" brand product business, at a cash consideration of GBP157,500 (equivalent to approximately HK\$2,472,750). After the acquisition, Salus Controls Plc became an indirect wholly-owned subsidiary of the Company. Such transaction constituted a connected transaction of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Company has complied with the requisite reporting and announcement requirements set out in the Listing Rules.

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 from the Listing Date to 31 March 2007.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. In the opinion of the Board, the Group has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the period from the Listing Date to the date of this announcement, except for the deviation from the code provision A.4.2 which requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In order to comply with the said code provision A.4.2, the Board has proposed to amend the relevant provision in the Company's Articles of Association at the 2007 AGM.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's Annual Report for the year ended 31 March 2007, which shall be sent to the shareholders by the end of July 2007.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, namely Mr. Luk Koon Hoo, Mr. Siewert, Patrick Thomas and Mr. Feniger, Steven Julien and two non-executive directors, namely Mr. Kam Chi Chiu Anthony and Mr. Patel, Arvind Amratlal, has reviewed the audited financial statements of the Company for the year ended 31 March 2007 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

REVIEW OF THE PRELIMINARY RESULTS ANNOUNCEMENT BY AUDITORS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2007 in this preliminary announcement have been agreed by the Group's auditors, Ernst & Young to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

APPRECIATION

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

By Order of the Board
Auyang Ho
Chairman

Hong Kong, 16 July 2007

As at the date of this announcement, the Board comprises the following directors:-

Executive directors

Mr. Auyang Ho (*Chairman*)

Mr. Auyang Pak Hong, Bernard (*Chief Executive Officer*)

Ms. Choi Po Yee, Alice

Non-executive directors

Mr. Wong Ying Ho, Kennedy

Mr. Kam Chi Chiu, Anthony

Mr. Patel, Arvind Amratlal

Independent non-executive directors

Mr. Luk Koon Hoo

Mr. Siewert, Patrick Thomas

Mr. Feniger, Steven Julien

** For identification purposes only*