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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 2020

The board of directors (the “**Board**”) of Computime Group Limited (the “**Company**” or “**Computime**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2020 (the “**Year**”, or “**FY2020**”) together with the comparative figures for the year ended 31 March 2019 (“**FY2019**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
REVENUE	3, 4	3,262,496	3,420,131
Cost of sales		<u>(2,824,362)</u>	<u>(3,018,883)</u>
Gross profit		438,134	401,248
Other income	4	15,973	11,289
Selling and distribution expenses		(113,809)	(107,866)
Administrative expenses		(306,112)	(269,356)
Other operating income, net		2,579	3,972
Finance costs	5	(24,723)	(25,420)
Share of profit less loss of associates		<u>2,827</u>	<u>53</u>
PROFIT BEFORE TAX	6	14,869	13,920
Income tax expense	7	<u>(3,896)</u>	<u>(3,646)</u>
PROFIT FOR THE YEAR		<u>10,973</u>	<u>10,274</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*
Year ended 31 March 2020

	<i>Note</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
ATTRIBUTABLE TO:			
Owners of the Company		10,993	10,289
Non-controlling interests		<u>(20)</u>	<u>(15)</u>
		<u>10,973</u>	<u>10,274</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	9		
Basic		<u>1.31 HK cents</u>	<u>1.23 HK cents</u>
Diluted		<u>1.31 HK cents</u>	<u>1.22 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	10,973	10,274
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may 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 year	–	9,401
Reclassification adjustments for losses included in the consolidated statement of profit or loss	–	6,794
	–	16,195
Exchange differences on translation of foreign operations	(25,805)	(24,556)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	(25,805)	(8,361)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	(14,832)	1,913
Attributable to:		
Owners of the Company	(14,812)	1,928
Non-controlling interests	(20)	(15)
	(14,832)	1,913

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		250,707	234,876
Right-of-use assets		89,398	–
Goodwill		36,420	36,420
Club debenture		705	705
Intangible assets		170,247	154,543
Interests in associates		9,338	5,166
Financial asset at fair value through other comprehensive income		–	–
Prepayments and deposits		29,694	5,828
Deferred tax assets		26,069	13,052
Total non-current assets		612,578	450,590
CURRENT ASSETS			
Inventories		718,676	670,969
Trade receivables	<i>10</i>	489,785	605,868
Prepayments, deposits and other receivables		75,437	52,355
Derivative financial instruments		–	294
Cash and cash equivalents		432,031	436,488
Total current assets		1,715,929	1,765,974
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	715,432	592,091
Other payables and accrued liabilities		80,713	89,409
Contract liabilities		6,777	4,934
Derivative financial instruments		2,352	–
Interest-bearing bank borrowings		139,099	210,039
Lease liabilities		41,535	–
Amount due to a non-controlling shareholder		713	160
Tax payable		4,589	6,540
Total current liabilities		991,210	903,173
NET CURRENT ASSETS		724,719	862,801
TOTAL ASSETS LESS CURRENT LIABILITIES		1,337,297	1,313,391

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 March 2020*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	51,186	–
Deferred tax liabilities	27,188	24,464
	<hr/>	<hr/>
Total non-current liabilities	78,374	24,464
	<hr/>	<hr/>
Net assets	1,258,923	1,288,927
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	83,974	83,974
Reserves	1,174,940	1,204,211
	<hr/>	<hr/>
	1,258,914	1,288,185
	<hr/>	<hr/>
Non-controlling interests	9	742
	<hr/>	<hr/>
Total equity	1,258,923	1,288,927
	<hr/>	<hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP 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 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**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 financial assets at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 and HK(IFRIC)-Int 23, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The right-of-use assets amounting to HK\$54,075,000 were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 April 2019. Deferred rental payables of HK\$667,000 included in other payables and accrued liabilities as at 1 April 2019 was derecognized and adjusted to retained profits.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using of a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 April 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) (Continued)

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 as at 1 April 2019 was as follows:

	<i>HK\$'000</i>
Assets	
Increase in right-of-use assets	54,075
Increase in deferred tax assets	637
	<hr/>
Increase in total assets	54,712
	<hr/>
Liabilities	
Increase in lease liabilities	57,589
Decrease in other payables and accrued liabilities	(667)
	<hr/>
Increase in total liabilities	56,922
	<hr/>
Decrease in retained profits	(2,210)
	<hr/>

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 March 2019	62,536
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(26)
	<hr/>
	62,510
Weighted average incremental borrowing rate as at 1 April 2019	4.45%
	<hr/>
Lease liabilities as at 1 April 2019	57,589
	<hr/>

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the smart solutions segment, which is engaged in the research and development, design, manufacture, trading and distribution of building and home control and appliance control products; and
- (b) the contract manufacturing services segment, which is engaged in the research and development, design, manufacture, trading and distribution of commercial and industrial control products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that other income, finance costs, share of profit less loss of associates, as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets mainly exclude property, plant and equipment, goodwill, a club debenture, interests in associates, cash and cash equivalents, financial assets at fair value through other comprehensive income, right-of-use assets, derivative financial instruments, deferred tax assets, certain balances of intangible assets, inventories, prepayments, deposits and other receivables, and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, derivative financial instruments, tax payable, an amount due to a non-controlling shareholder, lease liabilities, deferred tax liabilities, certain balances of trade and bills payables and other payables and accruals, and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

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

3. OPERATING SEGMENT INFORMATION (Continued)

	Smart solutions		Contract manufacturing services		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment revenue:						
Sales to external customers	<u>1,214,380</u>	<u>1,295,866</u>	<u>2,048,116</u>	<u>2,124,265</u>	<u>3,262,496</u>	<u>3,420,131</u>
Segment results	<u>48,259</u>	<u>106,216</u>	<u>83,349</u>	<u>2,715</u>	<u>131,608</u>	<u>108,931</u>
Bank interest income					566	1,608
Government grants					11,898	4,146
Other income (excluding bank interest income and government grants)					3,509	5,535
Corporate and other unallocated expenses					(110,816)	(80,933)
Finance costs					(24,723)	(25,420)
Share of profit less loss of associates	2,827	53	-	-	2,827	53
Profit before tax					14,869	13,920
Income tax expense					(3,896)	(3,646)
Profit for the year					<u>10,973</u>	<u>10,274</u>
Assets and liabilities						
Segment assets	758,339	769,005	639,945	674,217	1,398,284	1,443,222
Interests in associates	9,338	5,166	-	-	9,338	5,166
Corporate and other unallocated assets					920,885	768,176
Total assets					<u>2,328,507</u>	<u>2,216,564</u>
Segment liabilities	24,698	27,520	9,602	1,888	34,300	29,408
Corporate and other unallocated liabilities					1,035,284	898,229
Total liabilities					<u>1,069,584</u>	<u>927,637</u>
Other segment information:						
Capital expenditure*					162,687	154,437
Depreciation of property, plant and equipment					54,532	51,913
Depreciation of right-of-use assets					44,811	-
Amortisation of deferred expenditure	36,379	35,636	12,720	12,965	49,099	48,601
Write-off of deferred expenditure	7,610	-	5,084	-	12,694	-
Impairment/(reversal of impairment) of trade receivables, net	377	383	(2,262)	1,365	(1,885)	1,748
Write-down of/(reversal of provision for) inventories to net realisable value	<u>21,914</u>	<u>7,271</u>	<u>(83)</u>	<u>585</u>	<u>21,831</u>	<u>7,856</u>

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The America	1,008,680	1,013,993
Europe	1,582,565	1,479,939
Asia	671,251	926,199
	<u>3,262,496</u>	<u>3,420,131</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The America	3,343	1,737
Europe	7,148	1,819
Asia	368,646	242,314
	<u>379,137</u>	<u>245,870</u>

The non-current assets information above is based on the locations of the assets and excludes goodwill, a club debenture, intangible assets, a financial asset at fair value through other comprehensive income and deferred tax assets.

Information about major customers

For the year ended 31 March 2020, revenue of approximately HK\$769,620,000 and HK\$446,257,000, which represented 23.6% and 13.7% of the Group's total revenue, respectively, was derived from sales by the contract manufacturing services segment to two separate single customers. They included sales to a group of entities which are known to be under common control with these customers.

For the year ended 31 March 2019, revenue of approximately HK\$759,587,000 and HK\$472,370,000, which represented 22.2% and 13.8% of the Group's total revenue, respectively, was derived from sales by the contract manufacturing services segment to two separate single customers. Revenue of approximately HK\$343,220,000, which represented 10.0% of the Group's total revenue, was derived from sales by the smart solutions segment to one single customer. They included sales to a group of entities which are known to be under common control with these customers.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers	3,262,496	3,420,131

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Geographical markets		
The America	1,008,680	1,013,993
Europe	1,582,565	1,479,939
Asia	671,251	926,199
	3,262,496	3,420,131

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electronic control products	3,770	879

4. REVENUE AND OTHER INCOME (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Sale of electronic control products

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 150 days (2019: 30 to 120 days) from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with early settlement rebates which give rise to variable consideration subject to constraint.

An analysis of other income is as follows:

	2020	2019
	HK\$'000	HK\$'000
Bank interest income	566	1,608
Government grants*	11,898	4,146
Sundry income	3,509	5,535
	15,973	11,289

* Government grants of RMB8,932,000 (2019: Nil) (equivalent to approximately HK\$9,924,000 (2019: Nil)) and RMB1,770,000 (2019: RMB3,559,000) (equivalent to approximately HK\$1,974,000 (2019: HK\$4,146,000)) were granted by governmental authorities in the PRC to subsidise stable employment of enterprises and to subsidise the technological development of the industry, respectively, during the year ended 31 March 2020. There are no unfulfilled conditions and other contingencies attached to the receipts of those grants. There is no assurance that the Group will continue to receive such grants in the future.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank loans	22,113	25,420
Interest on lease liabilities	2,610	–
	<u>24,723</u>	<u>25,420</u>

6. PROFIT BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories sold*	2,802,531	3,011,027
Depreciation of property, plant and equipment	54,532	51,913
Depreciation of right-of-use assets	44,811	–
Research and development costs:		
Amortisation of deferred expenditure^	49,099	48,601
Write-off of deferred expenditure^	12,694	–
Current year expenditure	4,323	2,177
	<u>66,116</u>	<u>50,778</u>
Foreign exchange differences, net#	7,422	(1,257)
Loss on disposal of items of property, plant and equipment, net#	452	162
Impairment/(reversal of impairment) of trade receivables, net#	(1,885)	1,748
Income from forfeiture of receipt in advance from customers#	(6,981)	–
Write-down of inventories to net realisable value**	21,831	7,856
Fair value losses/(gains), net:		
Cash flow hedges (transfer from equity)#	–	6,794
Derivative instruments – transactions not qualifying as hedges#	651	(521)

* Employee benefit expense of HK\$391,191,000 (2019: HK\$449,697,000) is included in “Cost of inventories sold” above.

** Write-down of inventories to net realisable value is included in “Cost of sales” on the face of the consolidated statement of profit or loss.

^ The amortisation of deferred expenditure and write-off of deferred expenditure for the year are included in “Administrative expenses” on the face of the consolidated statement of profit or loss.

These items are included in “Other operating income, net” on the face of the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (2019: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong:		
Charge for the year	336	586
Underprovision in prior years	239	–
Current – Mainland China and other countries:		
Charge for the year	15,416	8,495
Overprovision in prior years	(2,031)	(4,555)
Deferred	(10,064)	(880)
Total tax charge for the year	<u>3,896</u>	<u>3,646</u>

8. DIVIDENDS

Dividend paid during the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final dividend in respect of the financial year ended 31 March 2019 – HK\$0.0164 per ordinary share (2019: final dividend of HK\$0.075 per ordinary share, in respect of the financial year ended 31 March 2018)	<u>13,772</u>	<u>62,981</u>

Proposed final dividend

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Final – HK\$0.0131 (2019: HK\$0.0164) per ordinary share	<u>11,001</u>	<u>13,772</u>

The proposed final dividend for the year ended 31 March 2020 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This announcement does not reflect the final dividend payable.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$10,993,000 (2019: HK\$10,289,000) and the weighted average number of ordinary shares of 839,740,000 (2019: 839,740,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to owners of the Company of HK\$10,993,000 (2019: HK\$10,289,000). The weighted average number of ordinary shares used in the calculation of 840,948,000 (2019: 843,408,000) is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no 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:

	2020	2019
Weighted average number of ordinary shares used in calculating the basic earnings per share	839,740,000	839,740,000
Weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive options in issue during the year	1,208,000	3,668,000
	<u>840,948,000</u>	<u>843,408,000</u>

10. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	571,154	691,192
Impairment	(81,369)	(85,324)
	<u>489,785</u>	<u>605,868</u>

As at 31 March 2020, gross trade receivables of certain customers of HK\$213,002,000 (2019: HK\$232,696,000), which are designated in trade receivable factoring arrangements entered into between the Group and banks, were measured at fair value through other comprehensive income as these trade receivables are managed within a business model with the objective of both holding to collect contractual cash flows and selling for working capital management and the contractual terms of these receivables give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one to five months (2019: one to four 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. At the end of the reporting period, 9.2% (2019: 10.2%) and 47.1% (2019: 30.0%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

10. TRADE RECEIVABLES (Continued)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current and due within 1 month	461,672	568,177
1 to 2 months	12,003	15,284
2 to 3 months	2,923	12,807
Over 3 months	13,187	9,600
	<u>489,785</u>	<u>605,868</u>

Included in the Group's provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$78,967,000 (2019: HK\$83,068,000) with a carrying amount before provision of HK\$78,967,000 (2019: HK\$83,068,000). The individually impaired trade receivables mainly relate to balances that were in dispute, or in the status of insolvency and reorganisation proceedings for Fagor Electrodomesticos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A. (collectively the "Fagor Group") as detailed below.

On 13 November 2013, Fagor Electrodomesticos Sociedad Cooperativa, a company incorporated under the laws of Spain, submitted a petition to open formal insolvency proceedings (concurso) before the Commercial Court No. 1 of San Sebastian (Spain). The Court opened the insolvency proceedings on 19 November 2013.

FagorBrandt SAS, a company incorporated under the laws of France, was subject to reorganisation proceedings (redressement judiciaire) before the Commercial Court of Nanterre (France) since 7 November 2013. On 11 April 2014, the Commercial Court of Nanterre (France) converted the reorganisation proceedings into liquidation proceedings. On 15 April 2014, the Commercial Court of Nanterre (France) approved various bids for the assets of FagorBrandt SAS, including the bid of Cevital. During the year ended 31 March 2017, FagorBrandt SAS has completed the realisation of most of the assets to Cevital in order to raise funds for settlement to its creditors.

On 31 October 2013, Fagor Mastercook S.A., a company incorporated under the laws of Poland, submitted a petition to open formal insolvency proceedings (concurso) before the Commercial Court No. 1 of San Sebastian (Spain). The Court opened the insolvency proceedings on 19 November 2013. On 18 February 2014, the Polish Court in Wroclaw opened the secondary proceedings of Fagor Mastercook S.A. These proceedings under the EC Regulation 1346/2000 are liquidation proceedings.

Full impairment provision of EUR8,123,000 (2019: EUR8,123,000) (approximately HK\$69,653,000 (2019: approximately HK\$71,671,000)) has already been made in prior years against the Group's trade receivables of EUR8,123,000 (2019: EUR8,123,000) (approximately HK\$69,653,000 (2019: approximately HK\$71,671,000)) due from the Fagor Group as at 31 March 2020 in view of the insolvency and reorganisation proceedings of the Fagor Group underway.

Included in trade receivables is an amount due from an associate of HK\$10,982,000 (2019: HK\$41,075,000) which is repayable on credit terms similar to those offered to the major customers of the Group.

11. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current and due within 1 month	500,902	398,179
1 to 2 months	122,128	123,331
2 to 3 months	47,841	32,408
Over 3 months	44,561	38,173
	715,432	592,091

The trade payables are non-interest-bearing and generally have payment terms ranging from one to four months (2019: one to three months).

12. EVENTS AFTER THE REPORTING PERIOD

- (a) Since January 2020, the outbreak of Novel Coronavirus (“**COVID-19**”) has had an impact on the global business environment. Up to the date of these consolidated financial statements, COVID-19 has not resulted in material impact to the Group’s financial position. Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, the directors will continue to assess the impact of COVID-19 on the Group’s operations and financial position and closely monitor the Group’s exposure to the risks and uncertainties in connection with the pandemic.
- (b) Subsequent to the year end, on 8 May 2020, the Group entered into an equity purchase agreement with Mr. AUYANG Pak Hong Bernard to purchase 50% equity interest in CT Nova Limited (“**CT Nova**”), an associate of the Group during the year ended 31 March 2020. Thereafter, CT Nova has become a wholly-owned subsidiary of the Group up to the date of this announcement. The purchase consideration of US\$100,000 (equivalent to approximately HK\$775,000) for the acquisition was settled in the form of cash on 18 May 2020.

FINAL DIVIDEND

The Board has resolved to recommend to the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company to be held on Thursday, 3 September 2020 (the “**2020 AGM**”) a final dividend of HK\$0.0131 per share for the Year (the “**Proposed Final Dividend**”) to be paid on Tuesday, 6 October 2020 to those Shareholders whose names appear on the register of members of the Company on Thursday, 17 September 2020.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2020 AGM

The 2020 AGM is scheduled to be held on Thursday, 3 September 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 31 August 2020 to Thursday, 3 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 28 August 2020.

(b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2020 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Tuesday, 15 September 2020 to Thursday, 17 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2020.

ANNUAL GENERAL MEETING

It is proposed that the 2020 AGM will be held on Thursday, 3 September 2020. Notice of the 2020 AGM will be sent to the Shareholders in due course.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The macro business environment was challenging during the Year. On the demand side, events such as Brexit and the Sino-U.S. trade tension have yielded prudence throughout the global market and dampened consumer demand. On the supply side, brand owners have also become increasingly cautious for China being their only manufacturing solution, due to the growing concern of further trade dispute between China and the United States. The Company was unavoidably affected, as some of its products were admitted into the 25% tariff list.

The sudden outbreak of the COVID-19 pandemic in China since January 2020 and then in overseas has also disrupted the global supply chain which adversely impacted the shipment plan of the Company in the fourth quarter of the Year (“Q4”). During the initial phase of the outbreak in January and February 2020, the Ministry of Industry and Information Technology of China recorded a 13.8% negative year-over-year (“YoY”) growth for the electronics manufacturing services industry of China. Similarly, total export value during January and February 2020 decreased by 17.2% YoY.

Overall, the market continues to be ever unpredictable, yet not without opportunities. At this critical juncture, a new perspective would be paramount, and in light of this, Computime welcomes Mr. AUYANG Pak Hong Bernard (“Mr. AUYANG” or “Mr. Bernard AUYANG”) on board to act as the Chief Executive Officer (“CEO”). With an illustrious career in product branding and innovation, as well as prior experience with Computime, a new leadership and perspective in the form of Mr. AUYANG should take Computime to new horizons and capture emerging opportunities.

FY2020 Business & Financial Review

Global economic downturn coupled with the outbreak of the pandemic presented a challenging financial year for Computime. During the Year ended 31 March 2020, revenue decreased by 4.6% YoY from approximately HK\$3,420.1 million to approximately HK\$3,262.5 million attributable to prudence of customers in placing orders under volatile market environment as well as the COVID-19 disruption to the global supply chain as experienced in Q4.

Gross profit margin increased to 13.4% from 11.7% of the previous financial year driven by multiple margin enhancement initiatives in both raw material sourcing and manufacturing operations.

Total operating expenses (selling and distribution expenses and administrative expenses) increased by approximately 11.3% YoY to HK\$419.9 million attributable to increase in talent pool to drive multiple corporate projects to capitalize profit enhancement opportunities, including the above-mentioned margin enhancement initiatives.

Profit attributable to owners of the Company amounted to HK\$11.0 million for the Year, as compared to HK\$10.3 million of last year.

Regarding the Group's financial position, it remained in a healthy net balance of total cash and cash equivalents less total interest-bearing bank borrowings of HK\$292.9 million (As at 31 March 2019: HK\$226.4 million) despite the challenging trading environment. Apart from managing inventory reduction in the past 6 months, current ratio landed at 1.7x (As at 31 March 2019: 2.0x) and receivables aged over 1 month reduced by 25.4% to HK\$28.1 million (As at 31 March 2019: HK\$37.7 million). Such healthy financial position and flexibility will be critical for the Group to prevail in the volatile global economy and pursue future merger and acquisition opportunities.

The Board has recommended a final dividend of HK\$0.0131 (FY2019: HK\$0.0164) per ordinary share for the Year, representing a dividend payout ratio of 100.1% (FY2019: 133.9%).

During the Year, the Company continued to provide premium innovative technology solutions under two business segments, Smart Solutions (“SS”) and Contract Manufacturing Services (“CMS”). The SS segment leverages the Group's advanced technological know-how to devise total system solutions within the Internet of Things (“IoT”) field; the CMS segment chiefly focuses on providing cost-efficient manufacturing services to globally renowned brands.

During the Year, the SS segment accounted for 37.2% of the Group's revenue. Segmental revenue for the SS business segment decreased by 6.3% and segmental profit margin decreased to 4.0% (from 8.2% last year) attributable to lower sales volume and unfavourable product mix. Despite a challenging Year, the SS segment made an exciting achievement – its Wireless Gateway Thermostat has been selected as an Honoree in the CES 2020 Innovation Awards by the Consumer Technology Association, the largest technology trade association in North America. The thermostat is the first of its kind that integrated thermostat and gateway function with home IoT console and Zigbee gateway. It also enables Cloud connectivity along with a built-in Alexa Voice Service which allows for simple and instant control over any home IoT devices a user may have. This prestigious award reflects the technology prowess of the Group, showcasing its expertise in linking up total heating, ventilation, and air conditioning (“HVAC”) platforms with IoT connectivity solutions.

Regarding the CMS segment, it accounted for 62.8% of the Group's revenue for the Year. Segmental revenue for the CMS business segment decreased by 3.6% while segmental profit margin increased to 4.1% (from 0.1% last year) contributed by margin enhancement initiatives.

Outlook

Stepping into the new financial year, macro-economic uncertainties and volatilities remain including Sino-U.S. trade relationship; Brexit as well as the ramifications of the COVID-19 pandemic to global consumer demand. Nevertheless, as a specialist in IoT technologies and wireless connectivity, the Company sees huge potential ahead in leveraging its vast capabilities to be a leading innovator and enabler of smart and sustainable living through technologies, products and manufacturing solutions.

In the past, the Company is primarily focused on the Business-to-Business (“**B2B**”) market. To accelerate further market penetration and best leverage synergies across the organization, the Company is of the belief that transformation of overall business & operating model, under the leadership of our new CEO Mr. Bernard AUYANG, is needed. As part of the ongoing transformation, the Company intends to utilize CT Nova, a newly-acquired wholly-owned subsidiary of the Group, to tap into the consumer market. CT Nova principally engages in the trading and distribution of smart home appliances and baby products. With an expansive Business-to-Consumer (“**B2C**”) online and offline distribution networks in North America, CT Nova can help the Group to tap into new business opportunities, targeting the growing smart home appliance and baby products market in North America.

Geographical diversification of manufacturing footprint is also viewed as an important value-add to best satisfy customers’ demand and to mitigate geopolitical risk. On that front, the Group has been proceeding an acquisition of manufacturing facilities in Malaysia, with the intention to strengthen its manufacturing and supply chain capabilities in the South-East Asia. The Company is evaluating opportunities in further expanding manufacturing footprint across the globe.

On product, the Company will continue to enhance its solutions offering and drive customer stickiness by leveraging its core technologies in human machine interface, control solutions, sensor, energy management and IoT. Supported by its in-house engineering talent pool, the Company aims to solidify its product ecosystem particularly in the HVAC arena, offering seamless and comfortable experiences to end user to raise product adoption.

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a sound financial and liquidity position in the Year. As at 31 March 2020, the Group maintained a balance of cash and cash equivalents of HK\$432,031,000 (2019: HK\$436,488,000), which included cash and bank balance of HK\$91,501,000 (2019: HK\$47,888,000) denominated in RMB. The remaining balance was mainly denominated in United States dollars (“**US dollars**”), Hong Kong dollars or Euro. Overall, the Group maintained a robust current ratio of 1.7 times.

As at 31 March 2020, total interest-bearing bank borrowings were HK\$139,099,000 (2019: HK\$210,039,000), comprising mainly bank import loans repayable within one year. The majority of these borrowings were denominated either in US dollars or Euro (2019: Hong Kong dollars or Euro) and the interest rates applied were primarily subject to floating rate terms.

As at 31 March 2020, total equity attributable to owners of the Company amounted to HK\$1,258,914,000 (2019: HK\$1,288,185,000). The Group had a net balance of total cash and cash equivalents less total interest-bearing bank borrowings of HK\$292,932,000 (2019: HK\$226,449,000).

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 US dollars, RMB, Euro and GBP. As at 31 March 2020, the Group had outstanding foreign currency forward contracts to sell Euro 9.0 million buy Hong Kong dollars (2019: Euro 3.5 million buy US dollars), and sell GBP 2.0 million buy US dollars and sell GBP 1.5 million buy HK dollars (2019: GBP 0.75 million buy US dollars). These forward contracts were entered into for managing the foreign exchange risk. 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 Expenditure and Commitments

During the Year, the Group incurred total capital expenditures of approximately HK\$162,687,000 (2019: HK\$154,437,000) for additions to property, plant and equipment as well as for deferred expenditure associated with the development of new products.

As at 31 March 2020, the Group had capital commitments contracted but not provided for of HK\$54,360,000 (2019: HK\$3,666,000), mainly for the acquisition of property, plant and equipment, land and building in Malaysia.

Contingent Liabilities

As at 31 March 2020, the Group did not have any significant contingent liabilities (2019: Nil).

Charges on Assets

As at 31 March 2020, no bank deposits and other assets have been pledged to secure the Group's banking facilities (2019: Nil).

Employee Information

As at 31 March 2020, the Group had a total of 4,984 full-time employees (2019: 5,125 full-time employees). Total staff costs for the Year amounted to HK\$649,059,000 (2019: HK\$682,384,000). 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 currently has a share option scheme (which was adopted on 14 September 2016 due to the expiry of the old share option scheme on 15 September 2016) 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, 18,800,000 share options remained outstanding under the 2006 Share Option Scheme and 18,000,000 share options remained outstanding under the 2016 Share Option Scheme.

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

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

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 as a whole. In the opinion of the Board, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the Year.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the 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, have reviewed the consolidated financial statements of the Group for the Year and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 as set out in this announcement have been agreed by the Company's auditor, 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 this announcement.

PUBLICATION OF FURTHER INFORMATION

The annual report of the Company for the Year, containing the information required by the Listing Rules, will be despatched to the Shareholders as well as published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.computime.com) in due course.

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
Computime Group Limited
AUYANG Ho
Chairman

Hong Kong, 23 June 2020

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*)

Dr. OWYANG King

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

* *For identification purposes only*