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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

The board of directors (the "**Board**") of Computime Group Limited (the "**Company**" or "**Computime**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2018 (the "**Period**") together with the comparative figures for the six months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended 30 September** **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
REVENUE	*3, 4*	**1,532,361**	1,911,786
Cost of sales		**(1,307,957)**	(1,631,758)
Gross profit		**224,404**	280,028
Other income		**4,873**	2,894
Selling and distribution expenses		**(49,863)**	(64,091)
Administrative expenses		**(127,653)**	(144,081)
Other operating income/(expenses), net		**(8,120)**	386
Finance costs	*5*	**(13,137)**	(8,274)
Share of profit/(loss) of an associate		**(493)**	329
PROFIT BEFORE TAX	*6*	**30,011**	67,191
Income tax expense	*7*	**(5,103)**	(13,570)
PROFIT FOR THE PERIOD		**24,908**	53,621

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(Continued)*

	Note	**For the six months ended 30 September**	
		2018	2017
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company		**24,910**	53,622
Non-controlling interests		**(2)**	(1)
		24,908	53,621
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**2.97 HK cents**	6.41 HK cents
Diluted		**2.95 HK cents**	6.34 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**24,908**	53,621
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**9,401**	(10,778)
Reclassification adjustments for losses included in the condensed consolidated statement of profit or loss	**6,794**	18,333
	16,195	7,555
Exchange differences on translation of foreign operations	**(84,779)**	14,129
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	**(68,584)**	21,684
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(43,676)**	75,305
Attributable to:		
Owners of the Company	**(43,674)**	75,306
Non-controlling interests	**(2)**	(1)
	(43,676)	75,305

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2018 (Unaudited)** *HK$'000*	31 March 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**229,843**	228,301
Goodwill		**36,420**	36,420
Club debenture		**705**	705
Intangible assets		**140,146**	121,161
Interest in an associate		**5,132**	5,624
Financial assets at fair value through other comprehensive income		**–**	–
Prepayments and deposits		**7,496**	8,291
Deferred tax assets		**6,944**	6,404
Total non-current assets		**426,686**	406,906
CURRENT ASSETS			
Inventories		**969,499**	638,279
Trade receivables	*10*	**681,568**	483,278
Prepayments, deposits and other receivables		**38,012**	37,303
Cash and cash equivalents		**272,623**	729,615
Total current assets		**1,961,702**	1,888,475
CURRENT LIABILITIES			
Trade and bills payables	*11*	**737,937**	499,659
Other payables and accrued liabilities		**80,252**	128,804
Interest-bearing bank borrowings		**232,365**	250,689
Amount due to a non-controlling shareholder		**160**	160
Dividend payable		**62,981**	–
Derivative financial instruments		**172**	24,763
Tax payable		**15,343**	24,794
Total current liabilities		**1,129,210**	928,869
NET CURRENT ASSETS		**832,492**	959,606
TOTAL ASSETS LESS CURRENT LIABILITIES *(to be continued)*		**1,259,178**	1,366,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*Continued*)

	30 September 2018 (Unaudited) *HK$'000*	31 March 2018 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES *(continued)*	**1,259,178**	1,366,512
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**14,718**	14,718
Net assets	**1,244,460**	1,351,794
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**83,974**	83,974
Reserves	**1,159,731**	1,267,063
	1,243,705	1,351,037
Non-controlling interests	**755**	757
Total equity	**1,244,460**	1,351,794

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is located at 6/F, Building 20E, Phase 3, Hong Kong Science Park, 20 Science Park East Avenue, Shatin, New Territories, Hong Kong.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

Save for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**"), which include HKASs, during the Period as set out in note 2.2 below, the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current period, the Group has applied, for the first time, the following new and revised HKFRSs issued by HKICPA which are effective for the Group's financial year beginning on 1 April 2018.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below, the adoption of the new and revised HKFRSs and HKASs did not have any material effect on the financial position for the current or prior accounting period which have been prepared and presented.

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any material impact on the Group's condensed consolidated interim financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

(a) Classification and measurement

The new classification and measurement of the Group's financial assets are as follows:

(i) Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet "solely payments of principal and interest" on the principal amount outstanding (the "**SPPI criterion**"). This category includes the Group's cash and cash equivalents, trade receivables, deposits and other receivables.

(ii) Financial assets at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its equity instruments as financial assets at fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's equity instruments were classified as available-for-sale financial assets.

(iii) Financial assets at fair value through profit or loss comprise derivative instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at fair value through other comprehensive income. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The Group classified its derivative instruments as derivative instruments at fair value through profit or loss.

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

(b) Impairment

The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining lives of all of its trade receivables and other receivables.

The adoption of HKFRS 9 does not have any material impact on the Group's condensed consolidated interim financial statements.

3. REVENUE

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

4. OPERATING SEGMENT INFORMATION

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

During the current period, management changed its reporting segments to (i) smart solutions, and (ii) contract manufacturing services. The corresponding information for the period ended 30 September 2017 has been re-presented accordingly.

	Smart Solutions For the six months ended 30 September		**Contract Manufacturing Services For the six months ended 30 September**		**Total For the six months ended 30 September**	
	2018	2017	**2018**	2017	**2018**	2017
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**561,602**	748,728	**970,759**	1,163,058	**1,532,361**	1,911,786
Segment results	**46,475**	91,315	**31,523**	34,786	**77,998**	126,101
Bank interest income					**1,247**	1,228
Other income (excluding bank interest income)					**3,626**	1,666
Corporate and other unallocated expenses					**(39,230)**	(53,859)
Finance costs					**(13,137)**	(8,274)
Share of profit/(loss) of an associate	**(493)**	329	**–**	–	**(493)**	329
Profit before tax					**30,011**	67,191
Income tax expense					**(5,103)**	(13,570)
Profit for the period					**24,908**	53,621

4. **OPERATING SEGMENT INFORMATION** (*Continued*)

	Smart Solutions		Contract Manufacturing Services		Total	
	30 September 2018	31 March 2018	**30 September 2018**	31 March 2018	**30 September 2018**	31 March 2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**762,739**	612,439	**1,030,863**	632,118	**1,793,602**	1,244,557
Interest in an associate	**5,132**	5,624	**–**	–	**5,132**	5,624
Corporate and other unallocated assets					**589,654**	1,045,200
Total assets					**2,388,388**	2,295,381

5. **FINANCE COSTS**

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**13,137**	8,274

6. **PROFIT BEFORE TAX**

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

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**1,289,460**	1,626,341
Depreciation	**26,099**	21,819
Amortisation of intangible assets#	**23,832**	24,852
Write-down/(reversal of write-down) of inventories to net realisable value##	**(1,736)**	5,417
Bank interest income	**(1,247)**	(1,228)
Foreign exchange differences, net###	**9,050**	(2,878)
Impairment of trade receivables###	**82**	1,850

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

Write-down/(reversal of write-down) of inventories to net realisable value is included in "Cost of sales" on the face of the condensed consolidated statement of profit or loss.

Foreign exchange differences, net and impairment of trade receivables are included in "Other operating income/(expenses), net" on the face of the condensed consolidated statement of profit or loss.

Included in "Other operating income/(expenses), net" for the six months ended 30 September 2017 is the impairment of trade receivables of HK$1,000,000 relating to the trade receivables from Fagor Electrodomesticos Sociedad Cooperativa, FagorBrandt SAS, and Fagor Mastercook S.A.. Details are disclosed in the Company's annual report for the year ended 31 March 2018 (note 19 to the financial statements).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group entities operate.

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**4,919**	3,826
Current – Mainland China and other countries	**184**	8,544
Deferred	**–**	1,200
Total tax charge for the period	**5,103**	13,570

No share of tax attributable to associate (2017: Nil) is included in "Share of profit of an associate" in the condensed consolidated statement of profit or loss.

8. DIVIDENDS

No payment of interim dividend for the six months ended 30 September 2018 is recommended (2017: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of HK$24,910,000 (six months ended 30 September 2017: HK$53,622,000) and the weighted average number of ordinary shares of 839,740,000 (six months ended 30 September 2017: 836,620,000) in issue during the Period.

The calculation of diluted earnings per share is based on the profit for the Period attributable to owners of the Company of HK$24,910,000 (six months ended 30 September 2017: HK$53,622,000). The weighted average number of ordinary shares used in the calculation of 845,374,000 (six months ended 30 September 2017: 845,171,000) is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares used in calculating the basic earnings per share	**839,740,000**	836,620,000
Weighted average number of ordinary shares assumed to have been issued at nil consideration on deemed exercise of all dilutive options in issue during the period	**5,634,000**	8,551,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	**845,374,000**	845,171,000

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. At the end of the reporting period, 14.2% (31 March 2018: 11.7%) and 55.1% (31 March 2018: 39.5%) 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.

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

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Current and due within 1 month	**630,384**	453,733
1 to 2 months	**17,168**	7,098
2 to 3 months	**7,984**	9,755
Over 3 months	**26,032**	12,692
	681,568	483,278

Included in trade receivables is an amount due from an associate of HK$39,254,000 (31 March 2018: HK$24,345,000) which is repayable on credit terms similar to those offered to the major customers of the Group.

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "**Arrangement**") pursuant to which the Group assigned the rights to certain trade receivables to certain banks. The Group is not exposed to default risks of the trade debtors after the assignment. The Group did not retained any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. Trade receivables as if without assignment of the Arrangement as at 30 September 2018 was HK$1,067,691,000 (as at 31 March 2018: HK$1,184,899,000).

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:

	30 September 2018 (Unaudited) ***HK$'000***	31 March 2018 (Audited) *HK$'000*
Current and due within 1 month	**584,129**	446,105
1 to 2 months	**104,492**	42,999
2 to 3 months	**15,630**	6,782
Over 3 months	**33,686**	3,773
	737,937	499,659

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

12. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

With increasing volatility of the global macro-economic environment; US tariff uncertainties, combined with escalating component costs in the early part of the year, sales momentum of the Company slowed down in the first six months of our fiscal year FY18/19, from 1 April 2018 to 30 September 2018 ("**1H FY18/19**", or the "**Period**"). During the Period, revenue landed at HK$1,532.4 million, a 19.8% decline compared to same period last year. Profit attributable to owners of the Company amounted to HK$24.9 million in 1H FY18/19, a decline of 53.5%.

As a result of a targeted action plan formulated to drive performance enhancement in multiple dimensions during the Period, coupled with stabilisation of the component market, sales momentum and profitability have gradually accelerated in the later part of 1H FY18/19.

Similar to last year's level, gross profit margin managed to keep at 14.6% in 1H FY18/19. Proactive rationalisation of trading terms; enhancement in productivity as well as favourable product mix have mitigated the negative impact from escalated component costs.

Total operating expenses (selling, distribution, administrative and other operating expenses) have been driven down by 10.7% year-on-year to HK$185.6 million in 1H FY18/19, yet cost ratio (as a % of revenue) is less favourable due to lower economy of scale in leveraging fixed costs at a lower revenue level.

Finance costs rose by HK$4.9 million year-on-year attributable to increase in interest rates, while amount of receivables financing has been substantially driven down with a corresponding increase in total receivables balance.

Cash balance stood at HK$272.6 million as at the end of the Period, while net cash position landed at HK$40.3 million. This represents a reduction of net cash by HK$438.7 million in 1H FY18/19 attributable mainly to an increase in inventory in an effort to satisfy customer needs and demand in the later part of FY18/19.

Business Review

In the course of Computime transforming itself into a technology-driven company, the Company has reorganised its business into two segments – Smart Solutions ("**SS**") and Contract Manufacturing Services ("**CMS**"), reflecting the different nature of these segments. By organising our businesses according to their business nature, we target to align resources and core competencies to meet customer needs while staying competitive in the marketplace.

The SS segment, accounting for 36.6% of the Company's 1H FY18/19 revenue, focuses on products and total system solutions within the growing Internet-of-Things ("**IoT**") space. We partner with our key strategic customers in the smart electronic industry to help drive their product design and commercialisation, as well as provide off-the-shelf solutions to a rapidly growing industry. The SS segment includes both SALUS branded products and Connected Solutions, which covers Heating, Ventilation and Air Conditioning solutions (mainly consisting of the previous "Building and Home Controls" segment) as well as new business initiatives. During the Period, SS segment revenue fell 25.0% to HK$561.6 million year-on-year. A key customer has revised its inventory build in response to business slowdown, while a few other key customers have taken a prudent approach in view of the uncertainties over the newly imposed US tariffs, leading to slowdown in sales momentum. As a result of the contracted sales volume from these high margin customers and increase in material cost, segment margin decreased from 12.2% to 8.3%.

The SALUS business, which is included in the SS segment, started to gain traction and recorded across-the-board growth in all European and North American regions during the Period, driven by successful business strategies to expand sales channels and new product launches. Reflecting market-wide recognition of the brand's innovative products and solutions, SALUS successfully secured orders not only from wholesalers and distributors in Europe, but also from new customers including an insurance provider and a home security company. SALUS also benefited from rising brand recognition in North America and showed very encouraging sales growth there. Overall, the SALUS revenue grew 36% in 1H FY18/19 as compared with same period last year.

The CMS segment, accounting for 63.4% of the Company's 1H FY18/19 revenue, focuses on manufacturing services (mainly a combination of the previous "Appliance Controls" and "Commercial and Industrial Controls" segments), aiming to drive profitability by developing an optimal manufacturing business model for the Company. This includes developing strategic initiatives ranging from key account management to working with production lines to drive operational efficiencies and component cost savings. CMS segment revenue fell 16.5% to HK$970.8 million year-on-year. During the Period, our customers in the home appliance sector suffered from industry downturn and reduced orders. On the other hand, sales from the commercial and industrial sectors remained nearly flat, as loss in orders from a couple of key customers were compensated by increased orders from other existing accounts. Segment margin improved slightly from 3.0% to 3.2% mainly thanks to favourable product mix offsetting the lower sales volume and higher material costs.

Industry Analysis

Computime is well-equipped with a strong position to tap into the IoT industry with a huge addressable market size. According to market research firm Research N Reports, the global IoT devices market is expected to reach a value of US$158.1 billion by 2024 with a CAGR of 22.7% between 2017 and 2024. Within this enormous market, the application of building and home automation presents promising future growth, driven by the high demand for energy-efficient systems in homes and a growing need for automation in buildings. Smart thermostats have gained popularity in the past decade and have even become necessities for some smart homes as end users become more aware of their advantages and as governments around the world have developed initiatives for energy-saving devices. Another high-growth IoT application, connected health, will be led by the evolution of artificial intelligence technology and increasing investments for implementation of IoT health care solutions along with rising penetration of connected devices in healthcare. With a solid footing in smart homes, wireless and IoT technology knowhow, Computime will be able to capture opportunities in the rapidly growing IoT market.

Outlook

We remain in the midst of a major transformation. Despite the short term volatility we faced thus far this financial year, our strategic focus stays clear, which is expected to drive Computime into a technology-driven company.

The SS segment has been heavily impacted by the ongoing trade dispute between the US and China, yet management has been actively rolling out initiatives to mitigate this impact. Despite the setback in 1H FY18/19, the SS segment has successfully won some strategic accounts recently, including a constructor for multinational hotel chains which is expected to be translated into additional revenue in the future. We are also exploring various areas in smart technologies primed for major growth, such as smart property and smart healthcare, in order to develop new product lines and sustain a medium to long term growth.

SALUS recently launched an industry-leading thermostat with advanced energy-saving features, and it has received an overwhelming market response. More innovative products are being developed and scheduled for timely launches in the pipeline to ride on the brand’s rising market recognition. Coupled with business strategies to expand sales channels, the strong growth momentum of SALUS is expected to continue into the second half of FY18/19.

The CMS segment has been focusing on improving efficiency in order to provide price-competitive products for our customers, especially those in the home appliance sector. Despite the recent easing of the tight supply of critical electronic components, we have been continuously strengthening our sourcing strategies to mitigate volatility in component price and availability. As our supply chain began to strengthen, the CMS segment has recently been able to recover partial sales from a couple of major customers. In the medium to long term, the CMS segment will progressively enhance products with advanced connected features to provide more value-add to both our customers and end users. Growth in the CMS segment will be driven by the relatively higher margin commercial and industrial products, and new businesses involving connected medical devices and point-of-sale devices are being actively developed.

The macro environment is not expected to meaningfully improve within this financial year. Therefore, management will continue to step up targeted action plans during the second half of FY18/19. On the sales front, the Company aims to proactively expedite sell-through as well as further rationalise trading terms. Operationally, our goal is to become more agile and competitive in meeting changing market trends.

The Company's fundamentals remain strong. With four decades of operating history and a solid track record of performance enhancement, we are confident in navigating through the current volatility and leverage the huge business potentials mapped out.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2018, the Group maintained a balance of cash and cash equivalents of HK$272,623,000, which included cash and bank balance of HK$110,577,000 denominated in RMB. The remaining balance was mainly denominated in United States dollars ("**US dollars**"), Euro zone currencies or Hong Kong dollars. Overall, the Group maintained a robust current ratio of 1.74 times.

As at 30 September 2018, total interest-bearing bank borrowings were HK$232,365,000, comprising primarily bank import loans repayable within one year. The majority of these borrowings were denominated either in US dollars or Hong Kong dollars and the interest rates applied were primarily subject to floating rate terms.

As at 30 September 2018, total equity attributable to owners of the Company amounted to HK$1,243,705,000. The Group had a net cash balance of HK$40,258,000, representing total cash and cash equivalents less total interest-bearing bank borrowings.

Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchase that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies involved are primarily Euro, GBP and RMB. As at 30 September 2018, the Group had outstanding foreign currency forward contracts to sell Euro 3.5 million buy US dollars and sell GBP 0.5 million buy US dollars. These forward contracts were entered into for hedging purposes. The Group closely monitors its overall foreign exchange exposure from time to time and will adopt a proactive but prudent approach to minimise the relevant exposures.

Capital Expenditures and Commitments

During the Period, the Group incurred total capital expenditures of approximately HK$88,344,000 for additions to property, plant and equipment as well as for deferred expenditures associated with the development of new products.

As at 30 September 2018, the Group had capital commitments contracted but not provided for the amount of HK$3,393,000 mainly for the acquisition of leasehold improvements, plant and machinery.

Contingent Liabilities

As at 30 September 2018, the Group did not have any significant contingent liabilities.

Charges on Assets

As at 30 September 2018, no bank deposits and other assets have been pledged to secure the Group's banking facilities.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associated companies or joint ventures during the Period.

Employee Information

As at 30 September 2018, the Group had a total of approximately 5,500 full-time employees. Total staff costs for the Period amounted to HK$338,151,000. 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, 30,800,000 share options remained outstanding under the share option schemes.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

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

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management efficiency of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the Period, except for a deviation from code provision E.1.2 of the CG Code.

Code provision E.1.2 of the CG Code stipulates that the chairman of the board of directors should attend the annual general meeting. Mr. AUYANG Ho, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 7 September 2018 due to other engagements. In view of his absence, Mr. AUYANG had arranged for other directors and management, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with shareholders of the Company.

CODE OF CONDUCT FOR DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises three Independent Non-executive Directors of the Company, namely, Mr. LUK Koon Hoo (Chairman of the Audit Committee), Mr. Patrick Thomas SIEWERT and Mr. CHEUNG Ching Leung, David, and two Non-executive Directors of the Company, namely, Mr. KAM Chi Chiu, Anthony and Mr. Arvind Amratlal PATEL, has reviewed with the senior management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.

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

PUBLICATION OF FURTHER INFORMATION

The interim report of the Company for the Period, containing the information required by the Listing Rules, will be despatched to the shareholders of the Company as well as published on the websites of the Stock Exchange (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 Period.

By Order of the Board
Computime Group Limited
AUYANG Ho
Chairman

Hong Kong, 22 November 2018

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

Executive directors
Mr. AUYANG Ho *(Chairman)*
Dr. OWYANG King *(Chief Executive Officer)*

Non-executive directors
Mr. KAM Chi Chiu, Anthony
Mr. Arvind Amratlal PATEL
Mr. WONG Chun Kong
Mr. AU Hing Lun, Dennis

Independent non-executive directors
Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. CHEUNG Ching Leung, David

* *For identification purposes only*