Computime

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 2022

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 2022 ("**1H FY22/23**", or the "**Period**"), together with the comparative figures for the six months ended 30 September 2021 ("**1H FY21/22**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 September	
		2022	2021
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
REVENUE	*3, 4*	**2,090,500**	1,836,206
Cost of sales		**(1,823,041)**	(1,580,448)
Gross profit		**267,459**	255,758
Other income		**15,672**	5,315
Selling and distribution expenses		**(56,018)**	(55,036)
Administrative expenses		**(168,522)**	(157,929)
Other operating income/(expense), net		**758**	(2,602)
Finance costs	*5*	**(19,018)**	(5,742)
Share of profit of an associate		**3**	1,800
PROFIT BEFORE TAX	*6*	**40,334**	41,564
Income tax expense	*7*	**(10,083)**	(7,408)
PROFIT FOR THE PERIOD		**30,251**	34,156

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

		For the six months ended 30 September	
	Notes	**2022** **(Unaudited)** ***HK$'000***	2021 (Unaudited) *HK$'000*
ATTRIBUTABLE TO:			
Owners of the Company		**30,179**	34,156
Non-controlling interests		**72**	–
		30,251	34,156
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**3.58 HK cents**	4.06 HK cents
Diluted		**3.58 HK cents**	4.05 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**30,251**	34,156
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(62,835)**	(11,536)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF TAX	**(62,835)**	(11,536)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(32,584)**	22,620
ATTRIBUTABLE TO:		
Owners of the Company	**(32,677)**	22,620
Non-controlling interests	**93**	–
	(32,584)	22,620

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 September 2022 (Unaudited)** *HK$'000*	31 March 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**363,602**	362,013
Right-of-use assets		**77,316**	106,144
Goodwill		**111,775**	111,560
Club debenture		**705**	705
Intangible assets		**250,768**	231,123
Interest in an associate		**2,082**	2,079
Financial asset at fair value through other comprehensive income		**–**	–
Financial assets at fair value through profit or loss		**9,721**	9,359
Prepayments and deposits		**41,163**	46,845
Deferred tax assets		**13,858**	14,208
Total non-current assets		**870,990**	884,036
CURRENT ASSETS			
Inventories		**1,118,086**	935,884
Trade receivables	*10*	**365,171**	499,151
Prepayments, deposits and other receivables		**156,959**	133,166
Tax recoverable		**931**	–
Cash and bank balances	*11*	**406,448**	347,727
Total current assets		**2,047,595**	1,915,928
CURRENT LIABILITIES			
Trade and bills payables	*12*	**943,102**	807,020
Other payables and accrued liabilities		**92,635**	165,959
Contract liabilities		**77,808**	14,148
Derivative financial instruments		**347**	216
Interest-bearing bank borrowings		**341,962**	285,923
Lease liabilities		**29,152**	46,450
Tax payable		**–**	2,135
Dividend payable		**40,021**	–
Total current liabilities		**1,525,027**	1,321,851
NET CURRENT ASSETS		**522,568**	594,077
TOTAL ASSETS LESS CURRENT LIABILITIES *(to be continued)*		**1,393,558**	1,478,113

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	30 September 2022 (Unaudited) ***HK$'000***	31 March 2022 (Audited) *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES *(continued)*	**1,393,558**	1,478,113
NON-CURRENT LIABILITIES		
Lease liabilities	**36,950**	48,392
Deferred tax liabilities	**39,491**	39,833
Total non-current liabilities	**76,441**	88,225
Net assets	**1,317,117**	1,389,888
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**84,254**	84,254
Reserves	**1,229,283**	1,302,147
	1,313,537	1,386,401
Non-controlling interests	**3,580**	3,487
Total equity	**1,317,117**	1,389,888

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 2022 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 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

The nature and impact of the revised HKFRSs are described below: *(Continued)*

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts. It is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the electronic control products.

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) control solutions, and (ii) branded business as a result of the growing importance of the branded business to the Group. The corresponding information for the period ended 30 September 2021 has been re-presented accordingly.

	Control Solutions For the six months ended 30 September		Branded Business For the six months ended 30 September		Total For the six months ended 30 September	
	2022	2021	**2022**	2021	**2022**	2021
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,863,583**	1,655,976	**226,917**	180,230	**2,090,500**	1,836,206
Segment results	**122,642**	129,373	**(17,790)**	(27,105)	**104,852**	102,268
Bank interest income					**958**	1,170
Other income (excluding bank interest income)					**14,714**	4,145
Corporate and other unallocated expenses					**(61,175)**	(62,077)
Finance costs					**(19,018)**	(5,742)
Share of profit of an associate	**–**	–	**3**	1,800	**3**	1,800
Profit before tax					**40,334**	41,564
Income tax expense					**(10,083)**	(7,408)
Profit for the period					**30,251**	34,156

	Control Solutions		Branded Business		Total	
	30 September 2022	31 March 2022	**30 September 2022**	31 March 2022	**30 September 2022**	31 March 2022
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**1,376,616**	1,318,020	**388,425**	359,276	**1,765,041**	1,677,296
Interest in an associate	**–**	–	**2,082**	2,079	**2,082**	2,079
Corporate and other unallocated assets					**1,151,462**	1,120,589
Total assets					**2,918,585**	2,799,964

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

Segment assets mainly exclude property, plant and equipment, goodwill, a club debenture, interest in an associate, a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss, right-of-use assets, deferred tax assets, cash and bank balances, tax recoverable, and certain balances of prepayments, deposits and other receivables, and corporate and other unallocated assets as these assets are managed on a group basis.

5. **FINANCE COSTS**

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**17,536**	4,283
Interest on lease liabilities	**1,482**	1,459
	19,018	5,742

6. **PROFIT BEFORE TAX**

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**1,823,121**	1,574,829
Depreciation of property, plant and equipment	**34,962**	31,100
Depreciation of right-of-use assets	**25,028**	21,400
Amortisation of deferred expenditure#	**19,210**	19,351
Amortisation of patent and customer relationships^	**329**	–
Write-down/(reversal of write-down) of inventories to net realisable value##	**(80)**	5,619
Interest income	**(958)**	(1,170)
Foreign exchange differences, net###	**(799)**	4,595
Impairment/(reversal of impairment) of trade receivables###	**(354)**	51
Write-off of deferred expenditure#	**798**	–

The amortisation of deferred expenditure and write-off of deferred expenditure for the Period are included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.

^ The amortisation of patent and customer relationships 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/(reversal of impairment) of trade receivables are included in "Other operating income/(expense), net" on the face of the condensed consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (1H FY21/22: 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	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong	**1,167**	2,326
Current – Mainland China and other countries	**8,916**	5,082
Total tax charge for the period	**10,083**	7,408

The share of tax attributable to associate amounting to Nil (1H FY21/22: HK$6,000) 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 2022 is recommended (1H FY21/22: 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$30,179,000 (six months ended 30 September 2021: HK$34,156,000) and the weighted average number of ordinary shares of 842,540,000 (six months ended 30 September 2021: 840,627,000) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 September 2022.

For the six months ended 30 September 2021, the calculation of diluted earnings per share is based on the profit for the period attributable to owners of the Company of HK$34,156,000. The weighted average number of ordinary shares used in the calculation of 843,271,000 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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY *(Continued)*

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 2021 (Unaudited)
Weighted average number of ordinary shares used in calculating the basic earnings per share	840,627,000
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	2,644,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	843,271,000

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 five months (31 March 2022: one to five 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, 21.0% (31 March 2022: 36.2%) and 38.5% (31 March 2022: 56.6%) 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 invoice date and net of loss allowance, is as follows:

	30 September 2022 (Unaudited) ***HK$'000***	31 March 2022 (Audited) *HK$'000*
Within 1 month	**206,561**	308,518
1 to 2 months	**77,563**	87,010
2 to 3 months	**48,219**	70,301
Over 3 months	**32,828**	33,322
	365,171	499,151

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:

	30 September 2022 (Unaudited)	31 March 2022 (Audited)
	HK$'000	*HK$'000*
Current and due within 1 month	**354,220**	486,385
1 to 2 months	**3,719**	2,355
2 to 3 months	**3,517**	2,358
Over 3 months	**3,715**	8,053
	365,171	499,151

As part of its normal business, the Group entered into trade receivable factoring arrangements (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 retain 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 2022 amounted to HK$904,900,000 (as at 31 March 2022: HK$1,071,824,000).

11. CASH AND BANK BALANCES

	30 September 2022 (Unaudited)	31 March 2022 (Audited)
	HK$'000	*HK$'000*
Cash and bank balances	**282,678**	301,758
Time deposits	**61,229**	–
Restricted bank deposits	**62,541**	45,969
	406,448	347,727

As at 30 September 2022, restricted bank deposits mainly included deposits for issuance of bank acceptance notes with a bank (31 March 2022: deposits for issuance of bank acceptance notes with a bank).

12. TRADE AND BILLS PAYABLES

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

	30 September 2022 (Unaudited) ***HK$'000***	31 March 2022 (Audited) *HK$'000*
Within 1 month	**289,168**	138,958
1 to 2 months	**176,232**	172,593
2 to 3 months	**152,244**	193,458
Over 3 months	**325,458**	302,011
	943,102	807,020

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 2022 (Unaudited) ***HK$'000***	31 March 2022 (Audited) *HK$'000*
Current and due within 1 month	**714,855**	603,024
1 to 2 months	**71,168**	81,896
2 to 3 months	**52,279**	25,758
Over 3 months	**104,800**	96,342
	943,102	807,020

The trade payables are non-interest-bearing and generally have payment terms ranging from one to six months (31 March 2022: one to six months).

13. 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

Established in 1974, Computime has evolved from an ordinary clock and timing device manufacturer, to a technology, brand, and manufacturing company that drives smart and sustainable living. The Group advances smart and sustainable living through its two key operating segments, with Control Solutions focusing on the design, engineering, technology and manufacturing solutions of heating, ventilation, and air conditioning, home appliance and industrial controls for international branded customers, whereas its Branded Business offers smart home, energy efficient, and environmental control products to professional installers, property developers, and wholesalers under its house brand Salus. Following the top-up investment of 62.9998% of membership interests of Braeburn Systems LLC ("**Braeburn**"), the Group also operates the Braeburn brand in the American market, along with lines of licensed products distributed under Computime Brands.

Market Overview

In 2022, the world has seen severe disruptions across several fronts. On the supply side, the lingering effect of COVID-19 pandemic has led to regional lockdowns and border closure in China, which has in turn, created significant supply chain issues for parts and finished goods movement. Considering China's leading role in the global manufacturing industry, companies saw increasing pressure from the rising material and logistics cost, and were forced to revisit their supply chain setup. Meanwhile, the Ukraine-Russia war that was escalated in February 2022 has not only casted further doubts on market visibility and sentiment, but it has also further disrupted the global raw material market as well as European supply chain.

Manufacturers and solution providers have turned to price hike to ease their cost pressure in an already-conservative market correspondingly. Yet, overall consumer demand shrinks across Europe and the Americas. According to a survey from McKinsey & Company, consumers are pulling back on spending and dipping into savings, as nearly four in ten have reduced spending on non-food discretionary items; whereas in the America, retailers such as Walmart and Target have both reported growing inventory backlog issues, pointing towards consumer softness. All these painted a rather conservative outlook for the market, facing a stagnated demand and rising cost at the same time.

Despite all the obstacles, there were also some beneficiaries in certain niche markets, such as smart home products amid the growing stay-at-home economy. With COVID-19 fundamentally changing people's perception of home as a work-and-life space, there is a growing emphasis on quality of living, and interconnected, environmental-friendly, smart and customized household products were being increasingly valued. According to the IDC Worldwide Quarterly Smart Home Device Tracker, global shipments of smart home devices are expected to remain stable at US$897.4 million in 2022. This highlights the resilience in demand, despite the prevailing conservatism among consumers.

COVID-19 also calls for increasing automation and robotics involvement in order to reduce human touch and risk of infection. According to a market research conducted by Technavio, the global consumer robotics market is expected to grow 11.6% in 2022, and the growth is expected to further accelerate between 2022 and 2026, at a compounded annual growth rate of 12.2%.

Meanwhile, the Ukraine-Russia war also came with a real possibility of energy crisis in the continent, forcing the European Union to reconsider its energy policy, as well as its path to the ambitious proposal of reaching net-zero targets by 2050. It is expected that there will be an increasing burden on corporates' contribution, which could potentially lead to more stringent environmental, social, and corporate governance ("**ESG**") requirements. Suppliers may also be increasingly chosen for its outstanding ESG performance, whereas on the consumer end, the sharp increase in energy prices also forced consumers to rethink their consumption habit. According to the Energy Efficiency report by International Energy Agency in 2021, sales of more efficient electric heat pumps and renewable heating equipment, such as solar hot water systems, made up more than 20% of overall installations in 2020. Such development is only expected to accelerate, as energy prices remained high and consumers became increasingly price-sensitive.

All in all, sustainability has become the new watchword for countries, companies and consumers. Raw material, supply chain, and consumer demand issues are expected to remain, yet there are also market opportunities for companies with agile supply chain, faster time-to-market, that can offer smart, environmental-friendly, and energy-conserving solutions.

Business and Financial Review

Despite the prevailing conservatism among industry players and end consumers, the Group was able to leverage its technological capability and customer stickiness, in securing a steady increase in orders across both operating segments during the Period. Hence, total revenue increased 13.8% year-on-year ("**YoY**") to HK$2,090.5 million (1H FY21/22: HK$1,836.2 million). As a result of the increase in revenue, gross profit also increased 4.6% YoY to HK$267.5 million (1H FY21/22: HK$255.8 million), yet gross profit margin suffered a drop of 1.1 percentage point to 12.8% (1H FY21/22: 13.9%), mainly due to the depreciation of European currencies as well as the spike in raw material and logistics costs. Coupled with the sharp increase in interest rate, as well as the increase in interest-bearing bank borrowings in support of various corporate projects, profit attributable to owners of the Company decreased 11.6% YoY to HK$30.2 million (1H FY21/22: HK$34.2 million). On the other hand, EBITDA for the Period increased from HK$118.0 million last year to HK$138.7 million this year.

Specifically, revenue of Control Solutions reached HK$1,863.6 million for the Period (1H FY21/22: HK$1,656.0 million), representing a YoY growth of 12.5%, thanks to the increase in order volume during the Period. However, despite the Group's best effort in cost control and price adjustment, segment profit margin decreased 1.2 percentage point to 6.6% (1H FY21/22: 7.8%), as a result of the surge in material cost and the depreciation of European currencies.

Benefitted from the contribution of the top-up investment in Braeburn, revenue of Branded Business increased from HK$180.2 million last year, to HK$226.9 million this year, representing a growth of 25.9% YoY. However, a narrowing loss from HK$27.1 million last year to HK$17.8 million this year is partly attributable to the depreciation of European currencies. Nonetheless, Braeburn's integration has been ongoing. Through its extensive sales network, it is expected that the Group can improve segment performance in the future, by raising the Group's penetration and contributions from the North American market.

During the Period, the Group continued to enhance its capability by streamlining its operations, investing in new technologies, refining its global manufacturing footprint, and maintaining a solid financial position in case of the unexpected. The Group has invested in its technological infrastructure to develop its Platform-as-a-Service ("**PaaS**") business, on applications such as smart irrigation, robotics, and smart home construction. To support the PaaS development, the Group has further invested in its research and development ("**R&D**"), particularly on artificial intelligence ("**AI**"), machine-learning ("**ML**"), cloud computing, robotics, professional security solutions and electrical vehicle ("**EV**") chargers, so that it can create better products for its future servicing business. The Group has also tapped into new product categories and industries through its robotic investment, allowing it to acquire new customers from the medical and hospitality sectors.

While the development of new sites in Mexico and Romania remains on track, the Group has greatly strengthened its control and enhanced the efficiency of the Malaysian plant during the Period. This should also lay a solid foundation for future performance, as the improved in efficiency should become a competitive advantage for existing and new customers.

In addition to the investments and business expansion, the Group also remained prudent in managing its financial. As at 30 September 2022, cash and cash equivalents increased 16.9% to HK$406.4 million (as at 31 March 2022: HK$347.7 million), with trade receivables greatly improved as it decreased from HK$499.2 million, to HK$365.2 million, despite an increase in total revenue. Trade and bills payables also increased from HK$807.0 million to HK$943.1 million, whereas inventories increased 19.5% to HK$1,118.1 million (as at 31 March 2022: HK$935.9 million), largely due to the integration of Braeburn's inventories as well as the advanced preparation of materials amid global unpredictability. Gearing ratio maintains at a healthy level at 44.0%, slightly above last fiscal year end at 40.8% as at 31 March 2022, calculated based on the net debt divided by the equity attributable to owners of the Company plus net debt. Net debt is the sum of interest-bearing bank borrowings, trade and bills payables, and other payables and accrued liabilities, minus cash and bank balances and time deposits with an original maturity of three months or less when acquired.

Overall, the Company was able to report an improvement in its cash conversion cycle to 46 days during the Period (1H FY21/22: 53 days), and that should provide enough agility for the Company to navigate the fluctuating market.

Outlook

Looking ahead, macro volatility is expected to persist in the short-to-medium term. The global economy have been plummeting and the market conditions remain unstable, especially in the major markets the Group serve in. Global interest rate hike is expected to continue, not only putting pressure on companies' borrowing cost, but also consumers' access to affordable financing leading to an eventual dragging consumption. Inflation rate also remains high, making consumers increasingly conservative and price-sensitive over daily consumption. As a result, brand owners are also expected to maintain conservatism on its orders.

In order to counter the headwinds ahead, the Group will continue to focus on cost control and efficiency enhancement, allowing us to have the maximum resources and margins available to respond to the market. Specifically, the Group will continue to boost the efficiency of its Malaysian plant, as well as to reduce the operating cost of its other plants through its level-loading strategy to enjoy a higher margin. The Group will also preserve cash to efficiently respond to further market shocks, and will continue to diversify its manufacturing footprint in order to gain competitive advantage in new regional markets.

The Group remains cautiously optimistic, and the successful integration of Braeburn should offer the Group a new business dimension. The Group is looking forward to leveraging its solid distribution network in North America to quickly expand its Branded Business. The Group has started offering a true end-to-end solution through its PaaS to its customers. The platform will also be expanded to cover other new product categories that the Group will tap into in the future.

Meanwhile, the Group will also continue its R&D investment, focusing on AI, ML, robotics, cloud computing, professional security solutions and EV chargers, and globalise our manufacturing footprint, to offer holistic and comprehensive products and solutions to our customers. New product development should also lay a solid foundation for future ecosystem and service revenue, offering more, better products and solutions to drive smart and sustainable living.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2022, the Group maintained a balance of cash and bank balances of HK$406,448,000, which included cash and bank balances of HK$282,678,000, time deposits with original maturity of three months or less when acquired of HK$61,229,000 and restricted bank deposits of HK$62,541,000 for issuance of bank acceptance notes. The Group held cash and bank balance of HK$174,622,000 denominated in Renminbi ("**RMB**"). The remaining balance was mainly denominated in United States dollars ("**US dollars**"), HK dollars or Euro ("**EUR**"). Overall, the Group maintained a robust current ratio of 1.3 times.

As at 30 September 2022, total interest-bearing bank borrowings were HK$341,962,000, comprising mainly bank loans repayable within one year. The majority of these borrowings were denominated in US dollars and the interest rates applied were primarily subject to floating rate terms.

As at 30 September 2022, total equity attributable to owners of the Company amounted to HK$1,313,537,000. The Group had a net balance of cash and bank balances less total interest-bearing bank borrowings of HK$64,486,000.

Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies involved are primarily US dollars, RMB, EUR and Great British Pound ("**GBP**"). 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 Period, the Group incurred total capital expenditures of approximately HK$102,082,000 for additions to property, plant and equipment as well as for deferred expenditure associated with the development of new products.

As at 30 September 2022, the Group had capital commitments contracted but not provided for of HK$18,129,000, mainly for the acquisition of property, plant and equipment.

Contingent Liabilities

As at 30 September 2022, the Group did not have any significant contingent liabilities.

Charges on Assets

As at 30 September 2022, 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, associates or joint ventures during the Period.

Employee Information

As at 30 September 2022, the Group had a total of approximately 4,500 full-time employees. Total staff costs for the Period amounted to HK$360,558,000. 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 ("**2016 Share Option Scheme**") following the expiry of the old share option scheme on 15 September 2016 ("**2006 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 of the Company (the "**Shareholders**") as a whole. Up to the date of this announcement, there is no share options remained outstanding under the 2006 Share Option Scheme and the 2016 Share Option Scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (1H FY21/22: 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 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 (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG 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 Period, except for the deviation from Code Provisions C.1.6 and C.2.1 of the CG Code as described below:

Code Provision C.1.6 of the CG Code provides that independent non-executive directors and non-executive directors should attend general meetings. Due to other business arrangement, Mr. Roy KUAN did not attend the annual general meeting of the Company on 8 September 2022.

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. With effect from 13 April 2022, Mr. AUYANG Pak Hong Bernard, the chief executive officer of the Company, has also assumed the role of the chairman of the Board. The Board believes that this can provide the Group with consistent leadership and allow more effective implementation of the overall strategy of the Group. The Board is of the view that this structure does not compromise the balance of power and authority, as major decisions are made in consultation with the Board, which currently comprises a high percentage of independent non-executive directors who can scrutinise important decisions and monitor the power of the chairman and chief executive. The current senior management team of the Group also possesses rich knowledge and experience in different professional fields to assist Mr. AUYANG Pak Hong Bernard to make decisions about the businesses and operations of the Group. The Board believes that the interests of the Group and the Shareholders as a whole have been safeguarded. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

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 four independent non-executive directors of the Company, namely, Mr. LUK Koon Hoo (Chairman of the Audit Committee), Mr. Patrick Thomas SIEWERT, Mr. HO Pak Chuen Patrick and Mr. Roy KUAN and one non-executive director of the Company, namely, Mr. KAM Chi Chiu, Anthony, 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.

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 Pak Hong Bernard
Chairman and Chief Executive Officer

Hong Kong, 23 November 2022

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

Executive Directors
Mr. AUYANG Pak Hong Bernard *(Chairman and Chief Executive Officer)*
Mr. WONG Wah Shun

Non-executive Directors
Mr. KAM Chi Chiu, Anthony
Mr. WONG Chun Kong

Independent Non-executive Directors
Mr. LUK Koon Hoo
Mr. Patrick Thomas SIEWERT
Mr. HO Pak Chuen Patrick
Mr. Roy KUAN

* *For identification purposes only*