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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

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 2023 (the "**Year**", or "**FY2023**") together with the comparative figures for the year ended 31 March 2022 ("**FY2022**"), as follows:

HIGHLIGHTS

	FY2023	FY2022	Year-on-year change
	HK$'million	*HK$'million*	
Revenue	**4,204.8**	4,184.8	0.5%
Gross profit	**508.8**	537.3	-5.3%
EBITDA *(note 1)*	**240.2**	263.1	-8.7%
Profit after tax	**23.5**	83.7	-71.9%
Adjusted EBITDA *(note 2)*	**295.0**	243.8	21.0%
Adjusted Profit after tax *(note 2)*	**78.4**	64.3	21.9%

Note 1: Earnings before interest, taxes, depreciation and amortisation ("**EBITDA**")

Note 2: Adjusted EBITDA and Adjusted Profit after tax excluded the additional inventory provision for the Group's Malaysia operation of HK$54.9 million in the current year and one-off gain on remeasurement of an existing interest in an associate upon a business combination of HK$19.4 million in last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2022, the global landscape was marked by uncertainty and economic turbulence. While recovering from the COVID-19 pandemic, the stability of the worldwide supply chain still had significant challenges in the first half of the Year. The Russo-Ukrainian conflict kept global commodity and energy prices at high levels. At the same time, the Federal Reserve raised the interest rates and the currency market was very volatile during the Year. As a result, economic recovery was slower than expected.

The demand for smart and sustainable living has increased in the post-pandemic era. The increased attention to health, remote work, home entertainment, and security has accelerated the adoption of smart technologies. At the same time, sustainability becomes critical to maintaining our quality of life, protecting our ecosystem and preserving natural resources for future generations.

Geopolitical events, like the Russo-Ukrainian conflict and economic problems, like the soaring energy price, increase people's demand for energy-saving products. These challenges are accelerating innovations toward smart and sustainable living. We can see more and more applications in Artificial Intelligence ("**AI**"), Machine Learning ("**ML**"), the Internet of Things ("**IoT**"), ChatGPT, and robotics in our daily lives.

Computime focuses on smart and sustainable living with technology as our core competency. The Group will continue to invest in new technologies and platforms, including AI, ML, IoT, robotics, cloud computing, and more. We will integrate such technologies into our products to realize the full potential of Computime's total smart solutions.

Business and Financial Review

Amidst the challenging environment, the Group continued to invest in technological innovations and global footprint expansion while honoring delivery commitments to our customers. This approach effectively retained existing customers, ensuring a consistent order volume which resulted in an increase in revenue to HK$4,204.8 million in FY2023, compared to HK$4,184.8 million in FY2022. Due to the Group's relentless effort to control costs and minimize the negative impact of uncertainties, the gross profit excluded the additional inventory provision for the Group's Malaysia operation of HK$54.9 million in FY2023 increase to 13.4% to HK$563.7 million (FY2022: HK$537.3 million) compared to last year. The overall gross profit margin, including the additional inventory provision, remained at 12.1% (FY2022: 12.8%), demonstrating the Group's business resilience in a volatile environment.

In response to the severe global material shortage in previous years, the Group strategically increased inventory holding of critical components to ensure on-time order fulfillment and delivery. As a result, the Group increased the inventory level for materials to cater for the then-growing demand, including the inventories in the Group's Malaysia operation set up during the initial stage of the COVID-19 pandemic. In FY2023, the Group made additional inventory provisions for the operations in Malaysia as the movement of the relevant inventories was assessed at a lower rate than expected. Additionally, there was a one-off gain from the remeasurement of existing interests in Braeburn's business in FY2022.

With the additional inventory provisions in Malaysia, the Group's profit for the Year decreased by 71.9% year-on-year to HK$23.5 million (FY2022: HK$83.7 million), and the Group's EBITDA decreased by 8.7% year-over-year to HK$240.2 million (FY2022: HK$263.1 million). However, if we exclude the additional inventory provision in Malaysia this year and remeasurement gain from the acquisition of Braeburn last year, Adjusted Profit after tax[1] would be increased by 21.9% from HK$64.3 million in FY2022 to HK$78.4 million in FY2023 and Adjusted EBITDA[1] would be increased by 21.0% from HK$243.8 million in FY2022 to HK$295.0 million in FY2023.

The Group expects unfavorable factors to diminish as supply chains stabilize and inventory turnover improves. At the same time, the Group will revamp the material and order management processes. We will also enhance operational efficiency through Lean Manufacturing Model and overhead reduction programs.

Throughout the Year, the Group committed to maintaining a stable financial position to address macro environment risks and proactively improve debt management capabilities. The Group's gearing ratio[2] remained at an optimal level of 46.8% (FY2022: 40.8%). Management put effort into financial control continually. Trade receivables in FY2023 was HK$555.2 million (FY2022: HK$499.2 million). Trade and bills payable increased year-on-year from HK$807.0 million to HK$1,012.4 million. The Group utilized the idle cash to pay out short-term bank borrowings more timely to lower finance costs. While cash and cash equivalents declined to HK$307.8 million in FY2023 from HK$347.7 million in FY2022, net cash improved significantly by 36.4% compared to the same period last year (FY2023: HK$84.3 million; FY2022: HK$61.8 million). The increasing net cash on hand supports the future expansion of the Group.

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1 Adjusted EBITDA and Adjusted Profit after tax excluded the additional inventory provision for the Group's Malaysia operation of HK$54.9 million in the current year and one-off gain on remeasurement of an existing interest in an associate upon a business combination of HK$19.4 million in last year.

2 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.

The Group has two business segments: Control Solutions Business and Branded Business.

The Control Solutions Business provides design, engineering, technology, and manufacturing services, including Original Equipment Manufacturer ("**OEM**") and Original Design Manufacturer ("**ODM**"), to international branded customers. The products focus on commercial and industrial applications such as home appliance controls, heating, ventilation and air-conditioning controls ("**HVAC**"), smart home controls, industrial controls, and medical devices.

Our best-in-class engineering and manufacturing solutions allow us to retain the existing customer base and attract new customers in the market. The Control Solutions Business secured stable order volume, with revenue remaining on par with the same period, reaching HK$3,665.7 million (FY2022: HK$3,773.6 million). The segment's profit margin experienced a decline of 2.0 percentage points to 9.4% (FY2022: 11.4%). Throughout the Year, the Control Solutions Business enjoyed a robust new business pipeline and secured many new projects. These multi-year projects will yield benefits over the coming years, supporting the future growth of the Control Solutions segment.

The Branded Business offers smart home, energy management and net-zero home solutions to professional installers, property developers, utility companies, and wholesalers under our Salus and Braeburn house brands. Salus primarily targets the European market and provides eco-friendly smart home solutions. Salus focuses on scalable and customizable solutions for the growing demand for net-zero homes. These solutions enable customers to manage optimal energy usage at home with a product portfolio including climate controls, Electric Vehicle ("**EV**") chargers, backup batteries, solar panels, heat pumps, home security systems and integrated software management tools. The increasing market demand for smart and sustainable products and the recognition of the Salus brand resulted in substantial growth in order volume.

Braeburn, acquired by the Group in December 2021, is one of North America's most rapidly growing control solution brands. Its sales network is predominantly within the professional installer and wholesaler markets, with a product portfolio focusing on energy-saving and smart HVAC solutions. Combined with Salus, our Branded Business now covers Europe and North America, making us a global brand in energy management and smart home markets.

The synergetic effect between Salus and Braeburn resulted in accelerating revenue growth and reducing the operating cost of the Branded Business. The segment delivers a favorable performance with revenue growing 31.1% year-over-year to HK$539.1 million (FY2022: HK$411.2 million).

Product development and technological innovation were among the key focuses for the Group during the Year. The Group concentrated on developing products and ecosystems for smart and sustainable living. Throughout the Year, the Group increased research and development ("**R&D**") investments in IoT/sensors, cloud infrastructure, connectivity, human-machine interface, artificial intelligence, and machine learning. Leveraging our core technological advantages, the Group developed a versatile product platform covering EV chargers, smart irrigation, robotics, professional security, AI climate control, and new form factor thermostats.

A strong R&D team is essential for driving technological advancements. The Group has an in-house engineering team of over 500 members, covering all disciplines. This lays a solid foundation for technology innovation and product realization. The Group will continue introducing new products into the portfolio to maintain our market leadership. At the same time, the Group will also continue to improve quality and efficiency through the introduction of new manufacturing technologies and methodologies. This strategic approach to technological investment will safeguard the growth in revenue and profit in the years to come.

The Group has formulated a global footprint strategy in diversifying its manufacturing base. With over one million square feet of production floor space across six facilities on three continents, the Group's operations are strategically located in China, Malaysia, Vietnam, Mexico, and Romania. This approach enables the Group to provide flexible manufacturing solutions to mitigate growing geopolitical risk.

Our Group is committed to thinking and acting on Environmental, Social and Governance ("**ESG**") proactively. We firmly believe that a strong ESG proposition creates value for all our stakeholders, including investors, customers, employees, suppliers and partners. During the Year, our ESG management committee establishes the vision, strategy and implementation plan for the ESG programs in all our operations worldwide. We follow the reduce, reuse and recycle principles in managing our waste and controlling carbon emissions. Our effort has been recognized by various certification bodies, the community and the customers.

Enterprise software system plays a crucial role in improving the management of business processes in any company. Implementing the SAP system will increase the efficiency of our global workforce by facilitating effective data processing and information flow across the organization. The SAP system provides centralized, accurate, and real-time data for resource planning and decision-making. The Group is confident that deploying the SAP system will improve the quality and effectiveness of our overall execution.

Talent is the most valuable asset of the Group. We have designed customized training programs to improve our employees' leadership, management and professional capabilities. Our NextGen and Management Trainee Programs identify and train our future leaders in the Group. Through our employee engagement programs, we want to foster positive attitudes and behaviors that increase productivity, enhance retention, and improved business outcomes. During the Year, we arranged various meetings and activities, such as Executive Committee Luncheons, Town Hall Meetings, company outings and holiday-themed parties, to strengthen employee relationships and to promote company culture.

Outlook

The global economy is recovering gradually from the COVID-19 pandemic. The short-term economic outlook remains unclear due to numerous challenges, such as persistently high inflation levels, systemic risks in the banking sector, the cumulative and lagging effects of monetary policies, and the continued low consumer sentiments. Despite the challenging environment, we have positioned ourselves as a technology, manufacturing and brand leader in the smart and sustainable living markets. As a result, we are less affected by short-term economic factors and we maintain a cautiously optimistic position in our future outlook.

In our Control Solutions business segment, we will continue to leverage our technological advantage and manufacturing know-how as a specialist in the appliance controls, climate controls, smart home controls, industrial controls, and medical devices market. We will use our global footprint advantage to provide flexible solutions to existing and new customers worldwide. We will also dedicate resources to grow China market.

In our Branded business segment, we will introduce new climate control products under the Salus and Braeburn brands. We have continuously expanded our customer base through geographical expansion, online sales, and new distribution channels. We also plan to extend our product/service offerings in net-zero homes, including EV chargers, backup batteries, robotic lawnmowers, and professional security.

We also plan to use this period of economic uncertainty to focus more on our internal business improvement, including strengthening our cost control and resources optimization, creating our global operation standards, and improving our material and inventory management. We also plan to implement SAP in our main operating regions. Finally, we will continue incorporating ESG into our business strategy and corporate culture.

Our technology and product roadmaps focus on two critical areas. First, we would expand our strong position in the HVAC market. Our goal is to become a major player in providing net-zero solutions, especially in Europe, due to soaring energy costs. Our portfolio of products will include climate control devices, photovoltaic solar panels, battery energy storage systems and advanced software energy management solutions.

In addition, we will also leverage on the increasing need for smart, intelligent, and autonomous products to improve the quality of life. We are already deploying AI technologies to realize energy savings in some of our core products, such as thermostats. We will substantially increase the application of AI technologies in new product categories such as smart irrigation, indoor air quality, and home security.

Our ultimate goal is to improve the quality of living for society and forge a path towards a more environmentally conscious and verdant future.

Liquidity, Financial Resources, and Capital Structure

The Group maintained a sound financial and liquidity position in the Year. As of 31 March 2023, the Group maintained cash and bank balances of HK$307,770,000 (FY2022: HK$347,727,000), which included cash and bank balances of HK$253,733,000 (FY2022: HK$301,758,000) and restricted deposits of HK$54,037,000 (FY2022: HK$45,969,000) for issuance of bank acceptance notes. The Group held a cash and bank balance of HK$80,322,000 (FY2022: HK$132,682,000) denominated in Renminbi ("**RMB**"). The remaining balance was mainly denominated in United States dollars ("**US dollars**"), HK dollars, or Euros ("**EUR**"). Overall, the Group maintained a robust current ratio of 1.3 times (as of 31 March 2022: 1.4 times).

As of 31 March 2023, total interest-bearing bank borrowings were HK$223,510,000 (FY2022: HK$285,923,000), comprising mainly bank loans repayable within one Year. Most of these borrowings were denominated in US dollars, HK dollars, or EUR (FY2022: US dollars, HK dollars, or EUR), and the interest rates applied were primarily subject to floating rate terms.

As of 31 March 2023, total equity attributable to owners of the Company amounted to HK$1,318,240,000 (FY2022: HK$1,386,401,000). The Group had a net balance of total cash and bank balances less total interest-bearing bank borrowings of HK$84,260,000 (FY2022: HK$61,804,000).

Treasury Policies

The Group is exposed to foreign exchange risk through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies are primarily US dollars, RMB, EUR, and 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 Year, the Group incurred total capital expenditures of approximately HK$165,612,000 (FY2022: HK$166,867,000) for additions to leasehold land, property, plant, and equipment and deferred expenditure associated with developing new products.

As of 31 March 2023, the Group had capital commitments contracted but not provided for HK$23,470,000 (FY2022: HK$33,295,000), mainly for the acquisition of property, plant, and equipment.

Contingent Liabilities

As of 31 March 2023, the Group had no significant contingent liabilities (FY2022: Nil).

Charges on Assets

The Group undertakes to the bank that short-term bank deposits of HK$54.0 million (FY2022: HK$46.0 million) must be maintained with the respective bank during the life of certain bill payables.

EMPLOYEE INFORMATION

As of 31 March 2023, the Group had a total of 4,221 full-time employees (FY2022: 4,900 full-time employees). Total staff costs for the Year amounted to HK$685,540,000 (FY2022: HK$687,189,000). Salaries and wages are generally reviewed annually by individual qualifications, performance, the Group's results, and market conditions. The Group provides its employees year-end double pay, discretionary bonus, medical insurance, provident fund, educational subsidy, and training. 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 14 September 2016 ("**2006 Share Option Scheme**") under which the Company can grant options to, among other things, employees of the Group to subscribe for shares of the Company to reward those who have contributed to the Group and encourage employees to work towards enhancing the value of the Company and its claims for the benefit of the Company and its shareholders of the Company (the "**Shareholders**") as a whole. Until this announcement date, no share options remained outstanding under the 2006 and 2016 Share Option Schemes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
REVENUE	*3, 4*	**4,204,764**	4,184,831
Cost of sales		**(3,695,968)**	(3,647,542)
Gross profit		**508,796**	537,289
Other income	*4*	**27,150**	17,367
Selling and distribution expenses		**(107,463)**	(110,475)
Administrative expenses		**(347,523)**	(334,041)
Other operating income, net		**444**	6,116
Finance costs	*5*	**(49,418)**	(13,837)
Share of (losses)/profits of associates		**(594)**	442
PROFIT BEFORE TAX	*6*	**31,392**	102,861
Income tax expense	*7*	**(7,853)**	(19,141)
PROFIT FOR THE YEAR		**23,539**	83,720
ATTRIBUTABLE TO:			
Owners of the Company		**22,504**	84,227
Non-controlling interests		**1,035**	(507)
		23,539	83,720
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic		**2.67 HK cents**	10.01 HK cents
Diluted		**2.67 HK cents**	10.00 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**23,539**	83,720
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(50,591)**	(47,037)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(50,591)**	(47,037)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(27,052)**	36,683
Attributable to:		
Owners of the Company	**(28,140)**	37,167
Non-controlling interests	**1,088**	(484)
	(27,052)	36,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**362,524**	362,013
Right-of-use assets		**139,167**	106,144
Goodwill		**111,773**	111,560
Club debenture		**705**	705
Intangible assets		**262,224**	231,123
Interests in associates		**1,485**	2,079
Financial asset at fair value through other comprehensive income		**–**	–
Financial assets at fair value through profit or loss		**9,493**	9,359
Prepayments and deposits		**47,450**	46,845
Deferred tax assets		**23,411**	14,208
Total non-current assets		**958,232**	884,036
CURRENT ASSETS			
Inventories		**969,470**	935,884
Trade receivables	*10*	**555,236**	499,151
Prepayments, deposits and other receivables		**139,766**	133,166
Tax recoverable		**10,257**	–
Cash and bank balances		**307,770**	347,727
Total current assets		**1,982,499**	1,915,928
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,012,386**	807,020
Other payables and accrued liabilities		**175,377**	165,959
Contract liabilities		**36,162**	14,148
Derivative financial instruments		**–**	216
Interest-bearing bank borrowings		**223,510**	285,923
Lease liabilities		**48,125**	46,450
Tax payable		**–**	2,135
Total current liabilities		**1,495,560**	1,321,851
NET CURRENT ASSETS		**486,939**	594,077
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,445,171**	1,478,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 March 2023

	2023	2022
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**78,098**	48,392
Deferred tax liabilities	**44,258**	39,833
Total non-current liabilities	**122,356**	88,225
Net assets	**1,322,815**	1,389,888
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**84,254**	84,254
Reserves	**1,233,986**	1,302,147
	1,318,240	1,386,401
Non-controlling interests	**4,575**	3,487
Total equity	**1,322,815**	1,389,888

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 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, 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

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 a financial asset at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK dollars**" or "**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 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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 revised HKFRSs for the first time for the current year's financial statements.

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 the impact of the revised HKFRSs that are applicable to the Group 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* (the "Conceptual Framework") 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 January 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 year, 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 as determined by HKAS 2 Inventories, 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 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, 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 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment 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.

During the current year, 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 31 March 2022 has been re-presented accordingly.

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/loss, 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 (losses)/profits of associates, gain on remeasurement of an existing interest in an associate upon a business combination, 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, 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, and certain prepayments, deposits and other receivables, tax recoverable, 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, lease liabilities, certain balances of deferred tax liabilities, certain balances of trade and bills payables, other payables and accrued liabilities, tax payable, 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)*

	Control solutions		Branded Business		Total	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**3,665,675**	3,773,625	**539,089**	411,206	**4,204,764**	4,184,831
Segment results	**206,753**	276,614	**(23,553)**	(54,950)	**183,200**	221,664
Bank interest income					**2,041**	1,985
Government grants					**12,318**	9,687
Other income (excluding bank interest income and government grants)					**12,791**	5,695
Corporate and other unallocated expenses					**(128,946)**	(142,160)
Finance costs					**(49,418)**	(13,837)
Share of (losses)/profits of associates	**–**	–	**(594)**	442	**(594)**	442
Gain on remeasurement of an existing interest in an associate upon a business combination					**–**	19,385
Profit before tax					**31,392**	102,861
Income tax expense					**(7,853)**	(19,141)
Profit for the year					**23,539**	83,720
Assets and liabilities						
Segment assets	**1,351,838**	1,318,020	**405,861**	359,276	**1,757,699**	1,677,296
Interests in associates	**–**	–	**1,485**	2,079	**1,485**	2,079
Corporate and other unallocated assets					**1,181,547**	1,120,589
Total assets					**2,940,731**	2,799,964
Segment liabilities	**33,554**	34,749	**51,930**	46,953	**85,484**	81,702
Corporate and other unallocated liabilities					**1,532,432**	1,328,374
Total liabilities					**1,617,916**	1,410,076
Other segment information:						
Capital expenditure*					**165,612**	166,867
Depreciation of property, plant and equipment					**70,457**	64,336
Depreciation of right-of-use assets					**48,638**	44,849
Amortisation of intangible assets	**40,808**	38,732	**687**	162	**41,495**	38,894
Write-off of deferred expenditure	**–**	–	**798**	365	**798**	365
Impairment/(reversal of impairment) of trade receivables, net	**542**	1,109	**1,733**	(38)	**2,275**	1,071
Write-down/(reversal of write off) of inventories to net realisable value	**57,858**	26,772	**(16)**	400	**57,842**	27,172

* Capital expenditure consists of additions to property, plant and equipment, intangible assets and leasehold land classified as right-of-use assets.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
The America	**1,957,061**	1,734,085
Europe	**1,693,476**	1,925,964
Asia	**552,494**	524,517
Oceania	**1,733**	265
	4,204,764	4,184,831

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

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
The America	**23,465**	26,048
Europe	**10,753**	8,239
Asia	**516,408**	482,794
	550,626	517,081

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, financial assets at fair value through profit or loss and deferred tax assets.

Information about major customers

For the year ended 31 March 2023, revenue of approximately HK$869,210,000 (2022: HK$1,159,613,000) and HK$854,891,000 (2022: HK$741,526,000), which represented 20.7% (2022: 27.7%) and 20.3% (2022: 17.7%) of the Group's total revenue, respectively, was derived from sales by the control solutions 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.

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers	**4,204,764**	4,184,831

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	HK$'000	*HK$'000*
Geographical markets		
The America	**1,957,061**	1,734,085
Europe	**1,693,476**	1,925,964
Asia	**552,494**	524,517
Oceania	**1,733**	265
	4,204,764	4,184,831

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:

	2023	2022
	HK$'000	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of electronic control products	**13,105**	2,071

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 (2022: 30 to 150 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:

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**2,041**	1,985
Government grants*	**12,318**	9,687
Sundry income	**12,791**	5,695
	27,150	17,367

* Government grants were granted by respective governmental authorities in Hong Kong, Mainland China and Malaysia. During the year ended 31 March 2023, HK$3,897,000 (2022: HK$194,000), RMB458,000 (2022: RMB217,000) (equivalent to approximately HK$534,000 (2022: HK$264,000)) and nil (2022: MYR321,000) (equivalent to approximately nil (2022: HK$602,000)) were granted by respective governmental authorities to subsidise stable employment of enterprises in Hong Kong, Mainland China and Malaysia, and nil (2022: HK$518,000) and RMB6,953,000 (2022: RMB6,682,000) (equivalent to approximately HK$7,887,000 (2022: HK$8,109,000)) were granted by respective governmental authorities in Hong Kong and Mainland China to subsidise the development of the industry which the Group operates. 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:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans	**46,119**	10,922
Interest on lease liabilities	**3,299**	2,915
	49,418	13,837

6. PROFIT BEFORE TAX

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold*	**3,638,126**	3,620,370
Depreciation of property, plant and equipment	**70,457**	64,336
Depreciation of right-of-use assets	**48,638**	44,849
Amortisation of patent and customer relationships^^	**687**	162
Research and development ("**R&D**") costs:		
Amortisation of deferred expenditure^	**40,808**	38,732
Write-off of deferred expenditure^	**798**	365
Current year expenditure	**13,546**	15,976
	55,152	55,073
Foreign exchange differences, net#	**897**	14,644
Loss on disposal of items of property, plant and equipment, net#	**883**	2,901
Impairment of trade receivables, net#	**2,275**	1,071
Write-down of inventories to net realisable value**	**57,842**	27,172
Derivative instruments – transactions not qualifying as hedges#		
– Realised gains, net	**(4,497)**	(6,422)
– Unrealised gains, net	**–**	(346)
Fair value (gain)/loss from financial assets at fair value through profit or loss	**(135)**	277
Gain on remeasurement of an existing interest in an associate upon a business combination#	**–**	(19,385)

* Employee benefit expense of HK$413,686,000 (2022: HK$440,378,000) 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.

^^ The amortisation of patent and customer relationships 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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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.

	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong:		
Charge for the year	**134**	1,633
Underprovision/(overprovision) in prior years	**69**	(328)
Current – Mainland China and other countries:		
Charge for the year	**14,166**	12,136
(Overprovision)/underprovision in prior years	**(1,321)**	1,764
Deferred	**(5,195)**	3,936
Total tax charge for the year	**7,853**	19,141

8. DIVIDENDS

Dividend paid during the year

	2023	2022
	HK$'000	*HK$'000*
Final dividend in respect of the financial year ended 31 March 2022 – HK$0.0475 per ordinary share (2022: final dividend of HK$0.0595 per ordinary share, in respect of the financial year ended 31 March 2021)	**40,021**	49,965

Proposed final dividend

	2023	2022
	HK$'000	*HK$'000*
Final – HK$0.0210 (2022: HK$0.0475) per ordinary share	**17,693**	40,021

The proposed final dividend for the year ended 31 March 2023 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$22,504,000 (2022: HK$84,227,000) and the weighted average number of ordinary shares of 842,540,000 (2022: 841,581,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2023.

For the year ended 31 March 2022, the calculation of the diluted earnings per share amount is based on the profit for the year attributable to owners of the Company of HK$84,227,000. The weighted average number of ordinary shares used in the calculation of 842,006,000 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 ordinary shares used in calculating the basic earnings per share and that used in calculating the diluted earnings per share for the year ended 31 March 2022 is as follows:

	2022
Weighted average number of ordinary shares used in calculating the basic earnings per share	841,581,000
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	425,000
Weighted average number of ordinary shares used in calculating the diluted earnings per share	842,006,000

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**560,329**	502,081
Impairment	**(5,093)**	(2,930)
	555,236	499,151

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 (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. 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 invoice date and net of loss allowance, is as follows:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**316,229**	308,518
1 to 2 months	**168,266**	87,010
2 to 3 months	**22,131**	70,301
Over 3 months	**48,610**	33,322
	555,236	499,151

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:

	2023	2022
	HK$'000	*HK$'000*
Current and due within 1 month	**517,407**	486,385
1 to 2 months	**18,826**	2,355
2 to 3 months	**5,678**	2,358
Over 3 months	**13,325**	8,053
	555,236	499,151

During the year ended 31 March 2022, the individually impaired trade receivables of HK$79,834,000 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 was written off in view of the recoverability of the balance being remote.

11. 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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**241,141**	138,958
1 to 2 months	**190,921**	172,593
2 to 3 months	**151,216**	193,458
Over 3 months	**429,108**	302,011
	1,012,386	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:

	2023	2022
	HK$'000	*HK$'000*
Current and due within 1 month	**677,916**	603,024
1 to 2 months	**89,975**	81,896
2 to 3 months	**58,175**	25,758
Over 3 months	**186,320**	96,342
	1,012,386	807,020

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

FINAL DIVIDEND

The Board has resolved to recommend to the Shareholders at the forthcoming annual general meeting of the Company to be held on Thursday, 7 September 2023 (the "**2023 AGM**") a final dividend of HK$0.0210 per share for the Year (the "**Proposed Final Dividend**") to be paid on Monday, 9 October 2023 to those Shareholders whose names appear on the register of members of the Company on Thursday, 21 September 2023.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2023 AGM

The 2023 AGM is scheduled to be held on Thursday, 7 September 2023. For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 4 September 2023 to Thursday, 7 September 2023, 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 2023 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 1 September 2023.

(b) Entitlement to the Proposed Final Dividend

The Proposed Final Dividend is subject to the approval of the Shareholders at the 2023 AGM. For determining the entitlement to the Proposed Final Dividend, the register of members of the Company will also be closed from Tuesday, 19 September 2023 to Thursday, 21 September 2023, 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, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 18 September 2023.

ANNUAL GENERAL MEETING

It is proposed that the 2023 AGM will be held on Thursday, 7 September 2023. Notice of the 2023 AGM will be sent to the Shareholders in due course.

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 (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 Year, 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.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises the 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 a non-executive director of the Company, namely, Mr. KAM Chi Chiu, Anthony 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 2023 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 Pak Hong Bernard
Chairman and Chief Executive Officer

Hong Kong, 29 June 2023

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*