Interim Report 2012

YOUR TECHNOLOGY PARTNER

栢能集團有限公司*

PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

HKSE: 1263

* *For identification purpose only*

Contents

Company Profile

PC Partner is a leading manufacturer of computer electronics. Our key products are video graphics cards, motherboards and mini-PCs. We are also offering one-stop electronic manufacturing services to reputable brands all over the world.

As one of the leaders in the industry, we leverage our extraordinary research and development capabilities and state-of-the-art production facilities to constantly bring new product ideas and leading-edge innovations to the market. We endeavour to stay ahead of the industry to ensure success and competitiveness in serving the needs of our customers.

We are a technology company with a global vision.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Shik Ho Tony
(Chairman and Chief Executive Officer)
Mr. WONG Fong Pak *(Executive Vice President)*
Mr. LEUNG Wah Kan *(Chief Operation Officer)*
Mr. HO Nai Nap
Mr. MAN Wai Hung

Non-executive Directors

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui

Independent Non-executive Directors

Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing
Mr. CHEUNG Ying Sheung

REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony

COMPANY SECRETARY

Ms. LEUNG Sau Fong

AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEUNG Sau Fong

AUDITOR

BDO Limited
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited
6/F., New Henry House
10 Ice House Street
Central
Hong Kong

LEGAL ADVISER

Woo Kwan Lee & Lo
26/F., Jardine House
1 Connaught Road
Central
Hong Kong

REGISTERED OFFICE

Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Shatin Galleria
18–24 Shan Mei Street
Fo Tan
Shatin
New Territories
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F.
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

WEBSITE

www.pcpartner.com

Management Discussion and Analysis

The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") customers and also manufactures and markets video graphics cards under its own ZOTAC, Inno3D and Manli brands. The Group provides electronics manufacturing services ("EMS") to globally recognised brands. Among these, the Group manufactures computer base units for a provider of Internet Media Tablets, Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, as well as modules for a Light Emitting Diode ("LED") provider and a flash memory provider. Besides the video graphics cards and EMS businesses, the Group also manufactures and sells other PC related products, such as mini-PCs and motherboards, under its own brands, and derives revenue from trading in components. Video graphics cards remain as the core business of the Group for the period under review.

FINANCIAL REVIEW

Revenue

During the period under review, total revenue decreased by approximately HK$306 million, or 11%, from approximately HK$2,906 million for the six months ended 30 June 2011 to approximately HK$2,600 million for the six months ended 30 June 2012. It was mainly attributable to a decline in sales of video graphics cards by approximately HK$363 million, or 19%, from approximately HK$1,920 million for the six months ended 30 June 2011 to approximately HK$1,557 million for the six months ended 30 June 2012. This was mainly resulted from a delay in new product launches in Nvidia based video graphics cards as well as a slowdown in demand for video graphics cards from ODM/OEM contract manufacturing customers. Revenue derived from ODM/OEM contract manufacturing businesses decreased by approximately HK$284 million, or 27%, from approximately HK$1,045 million for the six months ended 30 June 2011 to approximately HK$761 million for the six months ended 30 June 2012.

The Asia Pacific ("APAC") region has experienced a decline in revenue by approximately HK$172 million, or 15%, from approximately HK$1,186 million for the six months ended 30 June 2011 to approximately HK$1,014 million for the six months ended 30 June of 2012. This was mainly resulted from a significant decline in sales of video graphics cards to the ODM/OEM basis customers by approximately HK$284 million, or 27%, in the region. Own brands video graphics cards in the People's Republic of China ("PRC") region has experienced strong price competition from competitors, as a result the sales declined by approximately HK$56 million, or 12%, from approximately HK$477 million for the six months ended 30 June 2011 to approximately HK$421 million for the six months ended 30 June 2012. Each of North and Latin America ("NALA") region and Europe, Middle East and Africa ("EMEAI") region has experienced decline of approximately 7% and 6% respectively.

During the period under review, revenue from the EMS business increased by approximately HK$68 million, or 10%, from approximately HK$678 million for the six months ended 30 June 2011 to approximately HK$746 million for six months ended 30 June 2012. The growth was primarily due to an increase in sales of POS and ATM systems, and LED products, which has successfully offset the decline of both the Internet Media Tablets and the flash memory modules.

Sales of other PC related products and components decreased by approximately HK$11 million, or 4%, from approximately HK$308 million for the six months ended 30 June 2011 to approximately HK$297 million for the six months ended 30 June 2012. The decrease was mainly due to the net effect of decrease in components trading by approximately HK$46 million or 38%, and the increase in sales of other PC related products by approximately HK$35 million or 19%.

Management Discussion and Analysis

Cost of Sales

Cost of sales primarily consists of cost of materials, direct labour costs, subcontracting charges and production overheads. Production overheads mainly include rental expenses, depreciation, utilities charges, royalty charges, repair and maintenance expenses and packing cost.

The following table sets forth the sales and principal components of cost of sales and as a percentage of total sales for the periods indicated.

	Six months ended 30 June			
	2012		2011	
	HK$'000	**% of Sales**	HK$'000	% of Sales
	(Unaudited)			
Sales	**2,599,830**		2,905,784	
Cost of Sales				
Material cost	**2,227,529**	**85%**	2,533,136	87%
Direct labour	**71,394**	**3%**	78,111	3%
Subcontracting charges	**8,104**	**0%**	12,621	0%
Production overheads	**69,355**	**3%**	67,186	3%
Total cost of sales	**2,376,382**	**91%**	2,691,054	93%
Gross Profit	**223,448**	**9%**	214,730	7%

During the period under review, cost of sales decreased by approximately HK$315 million, or 12%, from approximately HK$2,691 million for the six months ended 30 June 2011 to approximately HK$2,376 million for the six months ended 30 June 2012. The rate of decrease in cost of sales was mainly due to the net effect of decline in sales, product mix improvement, and material cost savings achieved in the period under review. Direct labour, subcontracting charges, and production overheads remained the same as a percentage to sales as compared with the corresponding period last year. Direct labour costs have been reduced by approximately HK$7 million, or 9%, which was mainly due to the decrease in sales for the six months ended 30 June 2012. Subcontracting charges have been reduced by approximately HK$5 million, or 38%, which offset the increment on production overheads by approximately HK$2 million or 3% for the six months ended 30 June 2012.

Gross Profit and Gross Profit Margin

During the period under review, gross profit increased by approximately HK$8 million, or 4%, from approximately HK$215 million for the six months ended 30 June 2011 to approximately HK$223 million for the six months ended 30 June 2012. The improvement was mainly attributable to the change in product mix and material cost savings achieved in the period under review. Direct labour, subcontracting charges, and production overheads in aggregate have remained stable in the period under review.

Other Revenue and Other Gains and Losses

During the period under review, other revenue and other gains and losses declined by approximately HK$2 million, or 33%, from approximately HK$6 million for the six months ended 30 June 2011 to approximately HK$4 million for the six months ended 30 June 2012. It mainly resulted from lower sundry income earned in the period under review.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses decreased by approximately HK$5 million, or 10%, from approximately HK$48 million for the six months ended 30 June 2011 to approximately HK$43 million for the six months ended 30 June 2012. The decrease was mainly due to the reduction of commission paid for the Group's own brands video graphics cards business and incurred less agency fees, marketing development funds, and retainer fees on sales representative incurred for the period under review. The Group also incurred less freight and transportation costs which was due to the decline in sales for the six months ended 30 June 2012.

Administrative Expenses

Administrative expenses increased by approximately HK$21 million, or 17%, from approximately HK$126 million for the six months ended 30 June 2011 to approximately HK$147 million for the six months ended 30 June 2012, of which, salaries and compensation together with Directors' emoluments under administrative expenses increased by approximately HK$18 million, or 24%, from approximately HK$74 million for the six months ended 30 June 2011 to approximately HK$92 million for the six months ended 30 June 2012. Increment of salaries and compensation, and Directors' emoluments could be further broken down into the effects of cost increment impact on annual salary increment, minimum wage increment in Dongguan and appreciation of (i) the Renminbi for the period of approximately HK$12 million, and (ii) the amortisation of share-based compensation payment on Pre-IPO options of approximately HK$6 million for the six months period ended 30 June 2012. The latter expense was not incurred for the six months ended 30 June 2011. Other administrative expenses increased by approximately HK$3 million, or 6%, from approximately HK$52 million for the six months ended 30 June 2011 to approximately HK$55 million for the six months ended 30 June 2012.

Listing Expenses

The Group has recognised approximately HK$1 million of listing expenses for the six months ended 30 June 2012 and Nil for the six months ended 30 June 2011.

Finance Costs

During the period under review, finance costs increased by approximately HK$1 million, or 17%, from approximately HK$6 million for the six months ended 30 June 2011 to approximately HK$7 million for the six months ended 30 June 2012. The increase in finance costs was mainly due to financing of the material purchases earlier in the first quarter of 2012 and higher interest rates for the six months ended 30 June 2012.

Income Tax Expense

During the period under review, income tax expenses increased by approximately HK$2 million, or 40%, from approximately HK$5 million for the six months ended 30 June 2011 to approximately HK$7 million for the six months ended 30 June 2012.

Profit for the Period

Profit for the period decreased by approximately HK$13 million, or 36%, from approximately HK$36 million for the six months ended 30 June 2011 to approximately HK$23 million for the six months ended 30 June 2012. The decline in profit for the period was mainly due to the net effect on increase of expenses and taxation by approximately HK$22 million and increase of gross profit by approximately HK$8 million between the reporting periods.

Management Discussion and Analysis

Profit Attributable to the Owners of the Company

During the period under review, profit attributable to the owners of the Company decreased by approximately HK$12 million, or 34%, from approximately HK$35 million for the six months ended 30 June 2011 to approximately HK$23 million for the six months ended 30 June 2012.

Outlook

The global economy remains highly uncertain. In Europe, the debt crisis in certain countries continues to weaken consumer confidence. The management team remains cautiously optimistic in the second half of 2012. We will continue to take further actions on operating cost control and resources optimisation, as well as invest in research and development in order to enhance the Group's value-added offerings for both existing and new customers.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK$1.60 per offer share, was approximately HK$109 million. The Group intends to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely approximately HK$46 million for expansion production capacity, HK$24 million for promotion and development of new products and brand name, HK$24 million for research and development, HK$5 million for upgrading the existing Enterprise Resource Planning ("ERP") system and IT resources, and HK$10 million for the Group's working capital and general corporate purposes. As at 30 June 2012, the Group has applied approximately HK$2 million on expansion of the production facilities, approximately HK$2 million on promotion and development of new products and brand name, approximately HK$1 million on research and development, and approximately HK$1 million on the ERP system upgrade project.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has total current assets of approximately HK$2,113 million as at 30 June 2012 and approximately HK$2,420 million as at 31 December 2011 and total current liabilities of approximately HK$1,531 million as at 30 June 2012 and approximately HK$1,971 million as at 31 December 2011. The Group's current ratio, defined as total current assets over total current liabilities, increased from 1.2 as at 31 December 2011 to 1.4 as at 30 June 2012. The Group's cash and bank balances decreased from approximately HK$717 million as at 31 December 2011 to approximately HK$532 million as at 30 June 2012. Based on the borrowings of approximately HK$626 million as at 30 June 2012 and approximately HK$814 million as at 31 December 2011, and total equity of approximately HK$700 million as at 30 June 2012 and approximately HK$577 million as at 31 December 2011, the Group's gearing ratio (being net debts divided by total equity) has reduced from 17% as at 31 December 2011 to 13% as at 30 June 2012. The decrease in gearing ratio was mainly resulted from the net effect of lower levels of bank borrowings and cash and cash equivalent level on hand, offset by an increase in total equity as at 30 June 2012.

EXPOSURE TO FLUCTUATION IN INTEREST RATES

The Group had borrowings amounting to approximately HK$626 million issued at variable rates with effective interest rate ranging from 1.93% to 2.25% per annum as at 30 June 2012, which may expose the Group to cash flow interest rate risk. The Group managed certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

As at 30 June 2012, the Group was exposed to currency risk primarily through sales and purchases that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollars and Renminbi. The Group managed certain of its exchange rate risk by entering into forward foreign exchange contracts and performance swap contracts.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have any contingent liabilities.

SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

Save for those disclosed in the condensed consolidated statement of financial position, there was no other significant investments held. During the period under review, there was no acquisition of additional interests in subsidiaries or disposal of subsidiary.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group had 4,980 employees. The Company's remuneration policy has remained unchanged since the 2011 Annual Report.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests of each Director and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"), were as follows:

Long Positions in Shares

Name of Director	Type of interest	Number of Shares held	Percentage of shareholding
Mrs. HO WONG Mary Mee-Tak	Beneficial owner	400,000	0.09%
	Interest in controlled corporations (Note)	132,350,000	31.70%
Mr. WONG Shik Ho Tony	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Beneficial owner	26,915,750	6.45%
Mr. LEUNG Wah Kan	Beneficial owner	21,250,500	5.09%
Mr. HO Nai Nap	Beneficial owner	19,984,538	4.79%
Mr. MAN Wai Hung	Beneficial owner	3,677,065	0.88%

Note: These 132,350,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 77,500,000 Shares by Perfect Choice Limited. As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in these 132,350,000 Shares under the SFO.

Long Positions in Share Options of the Company

Name of Director	Date of grant	Number of underlying shares	Percentage of shareholding
Mr. WONG Shik Ho Tony	14 December 2011	4,290,000	1.03%
Mr. WONG Fong Pak	14 December 2011	3,300,000	0.79%
Mr. LEUNG Wah Kan	14 December 2011	3,300,000	0.79%
Mr. HO Nai Nap	14 December 2011	1,200,000	0.29%
Mr. MAN Wai Hung	14 December 2011	1,200,000	0.29%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the following parties with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Interest in the Company

Name	Long/Short position	Type of interest	Number of Shares held	Percentage of shareholding
Perfect Choice Limited	Long position	Beneficial owner	77,500,000	18.56% (Note 1)
Classic Venture International Inc.	Long position	Beneficial owner	54,850,000	13.14% (Note 1)
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Long position	Beneficial owner	26,915,750	6.45%
S.A.S. Investment Company Limited ("SAS Investment")	Long position	Beneficial owner	25,334,000	6.07% (Note 2)
S.A.S. Dragon Holdings Limited ("SAS Holdings")	Long position	Through controlled corporation	25,334,000	6.07% (Note 2)
Mr. Daniel KEARNEY	Long position	Beneficial owner	22,475,000	5.38%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	21,250,500	5.09%

Note 1: As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture International Inc. and Perfect Choice Limited under the SFO.

Note 2: SAS Investment is wholly-owned by SAS Holdings which is a company listed on the Stock Exchange. Hence, SAS Holdings is also deemed to be interested in 25,334,000 Shares held by SAS Investment under the SFO.

Other Information

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 ("the Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme ("Option Scheme") under which, share options were granted to directors (including non-executive directors), employees and consultants of the Group ("the Grantees"). The Option Scheme was terminated on 24 December 2011. Upon termination of the Option Scheme, no further share option was granted but in all other respects the provisions of the Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Option Scheme, and share options which were granted prior to the Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Option Scheme and their terms of issue.

On 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares at an exercise price of HK$1.46 per share were granted, representing approximately 7.66% of the issued share capital of the Company as at 30 June 2012. Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 ("the Listing Date") of the Company and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date.

A summary of the movements of the outstanding share options during the six months ended 30 June 2012 were as follows:

Grantee	Options held as at 1 January 2012	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options held as at 30 June 2012
Directors					
Mr. WONG Shik Ho Tony	4,290,000	—	—	—	4,290,000
Mr. WONG Fong Pak	3,300,000	—	—	—	3,300,000
Mr. LEUNG Wah Kan	3,300,000	—	—	—	3,300,000
Mr. HO Nai Nap	1,200,000	—	—	—	1,200,000
Mr. MAN Wai Hung	1,200,000	—	—	—	1,200,000
Others					
Employees and consultants	18,700,000	—	250,000	—	18,450,000
Total	31,990,000	—	250,000	—	31,740,000

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.02 per share, totalling approximately HK$8,350,000 for the six months ended 30 June 2012 to be paid on 15 October 2012 (Monday) to shareholders whose names appear on the Company's register of members on 3 October 2012 (Wednesday).

Other Information

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 October 2012 (Thursday) to 5 October 2012 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 3 October 2012 (Wednesday) for registration of the relevant transfer.

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 six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. All directors, after specific enquiries made by the Company, confirmed that they have complied with the required standards set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2012, the Company has applied the principles and complied with all code provisions of Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) and the CG Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2012, roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously by Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and balance management organization that enables the Group to operate effectively. The Board currently comprises of five executive Directors, two non-executive Directors and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

Other Information

AUDIT COMMITTEE

The Company established an Audit Committee on 21 December 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the Company and to provide advice and comments to the Board. The Audit Committee consists of three members who are all independent non-executive Directors, namely, Mr. LAI Kin Jerome, Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung, and Mr. LAI Kin Jerome was appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2012.

By order of the Board

WONG Shik Ho Tony
Chairman

Hong Kong, 30 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	**30 June 2012 HK$'000 (Unaudited)**	30 June 2011 HK$'000
Turnover	3, 4	**2,599,830**	2,905,784
Cost of sales		**(2,376,382)**	(2,691,054)
Gross profit		**223,448**	214,730
Other revenue and other gains and losses	5	**3,576**	5,834
Selling and distribution expenses		**(42,767)**	(48,078)
Administrative expenses		**(147,175)**	(126,069)
Listing expenses		**(720)**	—
Finance costs	6	**(7,141)**	(5,813)
Profit before income tax	7	**29,221**	40,604
Income tax expense	8	**(6,696)**	(4,521)
Profit for the period		**22,525**	36,083
Other comprehensive income, after tax			
Exchange differences on translating foreign operations		**—**	(73)
Total comprehensive income for the period		**22,525**	36,010
Profit attributable to:			
— Owners of the Company		**22,525**	35,171
— Non-controlling interests		**—**	912
		22,525	36,083
Total comprehensive income attributable to:			
— Owners of the Company		**22,525**	35,090
— Non-controlling interests		**—**	920
		22,525	36,010
Earnings per share		**HK$**	HK$
— Basic and diluted	10	**0.05**	0.11

Condensed Consolidated Statement of Financial Position

As at 30 June 2012

	Notes	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Non-current assets			
Property, plant and equipment	11	**87,908**	97,259
Intangible assets		**7,492**	8,356
Other financial assets		**20,999**	20,992
Deferred tax assets		**1,859**	1,859
Total non-current assets		**118,258**	128,466
Current assets			
Inventories		**702,116**	799,495
Trade and other receivables	12	**877,065**	893,904
Derivative financial assets		**559**	559
Current tax recoverable		**1,195**	1,549
Pledged time deposits		**—**	7,129
Cash and cash equivalents		**531,852**	717,396
Total current assets		**2,112,787**	2,420,032
Total assets		**2,231,045**	2,548,498
Current liabilities			
Trade and other payables	13	**889,430**	1,146,220
Borrowings	14	**625,522**	813,637
Provisions	15	**9,344**	7,894
Obligations under finance leases		**15**	17
Derivative financial liabilities		**54**	54
Current tax liabilities		**6,517**	3,537
Total current liabilities		**1,530,882**	1,971,359
Net current assets		**581,905**	448,673
Total assets less current liabilities		**700,163**	577,139
Non-current liabilities			
Obligations under finance leases		**50**	58
NET ASSETS		**700,113**	577,081
Capital and reserves attributable to owners of the Company			
Share capital	16	**41,752**	33,052
Reserves		**658,361**	544,029
TOTAL EQUITY		**700,113**	577,081

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Legal reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000	HK$'000	HK$'000
At 1 January 2011	30,318	6,702	34	—	—	49	—	511,230	548,333	22,047	570,380
Profit for the period	—	—	—	—	—	—	—	35,171	35,171	912	36,083
Other comprehensive income											
— Exchange difference on translating foreign operations	—	—	(81)	—	—	—	—	—	(81)	8	(73)
Total comprehensive income for the period	—	—	(81)	—	—	—	—	35,171	35,090	920	36,010
At 30 June 2011	30,318	6,702	(47)	—	—	49	—	546,401	583,423	22,967	606,390
At 1 January 2012	**33,052**	**—**	**(25)**	**6,702**	**21,771**	**190**	**593**	**514,798**	**577,081**	**—**	**577,081**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**22,525**	**22,525**	**—**	**22,525**
Other comprehensive income											
— Exchange difference on translating foreign operations	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**22,525**	**22,525**	**—**	**22,525**
Issuance of share	**8,700**	**119,331**	**—**	**—**	**—**	**—**	**—**	**—**	**128,031**	**—**	**128,031**
Equity settled share-based transactions	**—**	**—**	**—**	**—**	**—**	**—**	**5,877**	**—**	**5,877**	**—**	**5,877**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(33,401)**	**(33,401)**	**—**	**(33,401)**
At 30 June 2012 (unaudited)	**41,752**	**119,331**	**(25)**	**6,702**	**21,771**	**190**	**6,470**	**503,922**	**700,113**	**—**	**700,113**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Net cash used in operating activities	**(258,639)**	(279,061)
Net cash generated from/(used in) investing activities	**4,277**	(6,044)
Net cash generated from/(used in) financing activities	**68,819**	(39,324)
Net decrease in cash and cash equivalents	**(185,543)**	(324,429)
Cash and cash equivalents at beginning of period	**717,396**	685,240
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(70)
Cash and cash equivalents at end of period	**531,852**	360,741

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2011 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards (the "HKASs") and Interpretations) issued by the HKICPA.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2012. The adoption of the new HKFRSs had no material changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a material impact on the Group's results of operations and financial position.

3. TURNOVER

Turnover represents the net invoiced value of goods sold and service income earned by the Group.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

4. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacture and sale of electronics and personal computer parts and accessories.

(b) Geographical information

Turnover

An analysis by the Group's turnover by geographical location is as follows:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Asia Pacific ("APAC")	**1,014,218**	1,185,991
North and Latin America ("NALA")	**264,565**	283,707
People's Republic of China ("PRC")	**420,728**	477,080
Europe, Middle East and Africa ("EMEAI")	**900,319**	959,006
	2,599,830	2,905,784

(c) Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Video graphics cards	**1,556,526**	1,920,332
Electronics manufacturing services	**746,277**	677,627
Other PC related products and components	**297,027**	307,825
	2,599,830	2,905,784

(d) Information about major customers

Revenue from customers of the corresponding periods contributing 10% or more of the Group's revenue is HK$610,921,000 (2011: HK$465,683,000).

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

Other revenue and other gains and losses comprise:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Interest income	**970**	318
Net exchange (losses)/gains	**(15)**	699
Net gains on derivative financial instruments	**1,170**	1,003
Sundry income	**1,451**	3,814
	3,576	5,834

6. FINANCE COSTS

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**7,141**	5,813

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

7. PROFIT BEFORE INCOME TAX

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

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Inventories recognised as expense	**2,371,387**	2,683,389
Provision for obsolete inventories	**4,995**	7,665
Cost of sales	**2,376,382**	2,691,054
Staff costs (Note)	**167,102**	154,534
Auditor's remuneration	**298**	109
Depreciation of property, plant and equipment	**18,130**	20,922
Amortisation of intangible assets	**864**	864
Provision/(reversal of provision) for impairment losses on trade and other receivables	**(6)**	1,405
Operating lease payments on premises	**14,919**	13,620
Property, plant and equipment written off	**12**	—
Provision/(reversal of provision) for product warranties and returns (Note 15)	**6,726**	(3)

Note: Staff costs consist of share-based payment of approximately HK$5,877,000 for the six months ended 30 June 2012 (2011: Nil)

8. INCOME TAX EXPENSE

(a) The amounts of income tax expense in the condensed consolidated statement of comprehensive income represent:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Current tax — Hong Kong profits tax		
— provision for the period	**5,048**	4,365
Current tax — PRC		
— provision for the period	**1,644**	838
Current tax — United States of America and Korea		
— under provision in respect of prior period	**4**	2
	6,696	5,205
Deferred tax		
— origination and reversal of temporary differences	**—**	(684)
Income tax expense	**6,696**	4,521

The Group's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the six months ended 30 June 2012.

Provision for PRC enterprise income tax is based on a statutory rate of 25% (2011: 25%) of the assessable profits of the Group's PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2012.

Other overseas tax is calculated at the rates applicable in the respective jurisdictions.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

9. DIVIDEND

Dividend paid and payable by the Company for the six months ended 30 June 2012 and 2011 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Final dividend at HK$0.08 per share in respect of the previous financial year declared	**33,401**	—

The directors of the Company recommend the payment of an interim dividend of HK$0.02 per share, totalling approximately HK$8,350,000 for the six months ended 30 June 2012 (2011: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2012 and 2011 is based on the profit attributable to the owners of the Company and assuming the shares were in issue during the current and prior periods, calculated as follows:

Earnings

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Earnings for the purpose of basic and diluted earnings per share	**22,525**	35,171

Number of shares

	30 June 2012 (Unaudited)	30 June 2011
Weighted average number of ordinary shares for the purposes of basic earnings per share	**412,260,426**	330,518,668
Effect of dilutive potential ordinary shares:		
— share options	**—**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**412,260,426**	330,518,668

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for 2012.

11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK$8,792,000 (2011: HK$5,747,000) and write off of property, plant and equipment with net book value amounted to HK$12,000 (2011: Nil).

12. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Trade receivables	**862,626**	858,169
Less: Accumulated impairment losses	**(8,799)**	(8,805)
	853,827	849,364
Other receivables	**11,325**	24,031
Deposits and prepayments	**11,913**	20,509
	877,065	893,904

The ageing analysis of trade receivables (net of impairment losses) are as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Within 1 month	**453,928**	514,133
Over 1 month but within 3 months	**348,813**	296,168
Over 3 months but within 1 year	**46,102**	33,097
Over 1 year	**4,984**	5,966
	853,827	849,364

The average credit period on sales of goods is 30 to 60 days from the invoice date.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of trade receivables which are past due but not impaired are as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Within 1 month	**167,604**	197,076
Over 1 month but within 3 months	**67,803**	35,291
Over 3 months but within 1 year	**17,041**	22,055
Over 1 year	**4,916**	5,966
	257,364	260,388

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Trade payables	**747,841**	939,093
Other payables and accruals	**141,589**	175,831
Dividend payables	**—**	31,296
	889,430	1,146,220

All trade payables and other payables and accruals are due to be settled within twelve months.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

13. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables are as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Within 1 month	321,325	422,841
Over 1 month but within 3 months	337,917	401,415
Over 3 months but within 1 year	85,836	113,617
Over 1 year	2,763	1,220
	747,841	939,093

14. BORROWINGS

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Import loans — secured	556,210	718,524
Bank loans — secured	63,584	82,422
Discounted bills and factoring loans	5,728	12,691
	625,522	813,637

The repayment schedules of the above borrowings based on the agreed terms of repayment granted by banks are as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
On demand or within one year	590,628	765,224
Due after one year		
More than one year, but not exceeding two years	20,021	24,244
More than two years, but not exceeding five years	14,873	24,169
	34,894	48,413
	625,522	813,637

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

14. BORROWINGS (CONTINUED)

(i) The above borrowings bear interest at effective interest rates ranging from 1.93% (2011: 1.34%) per annum to 2.25% (2011: 1.59%) per annum for the period/year.

(ii) The Group's banking facilities are secured by bank deposits of HK$Nil (2011: HK$7,129,000).

(iii) The discounted bills and factoring loans are secured by the Group's trade receivables in the same amount.

(iv) The banks have overriding right of repayment on demand for all bank loans irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Therefore, the bank loans were entirely classified as current liabilities in the condensed consolidated statement of financial position.

15. PROVISIONS

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Provision for product warranties and returns		
At the beginning of the period/year	**7,894**	11,216
Additional provision made	**6,726**	12,570
Utilised	**(5,276)**	(15,892)
Net movement for the period/year	**1,450**	(3,322)
At the end of the period/year	**9,344**	7,894

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale ("Track Record Period"). The Group also has a policy allowing the customers to return any defective products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns in respect of sales made during the Track Record Period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

16. SHARE CAPITAL

	No. of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 31 December 2011 and 30 June 2012	1,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 31 December 2011	330,518,668	33,052
Shares issued to the public	87,000,000	8,700
At 30 June 2012 (unaudited)	417,518,668	41,752

17. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Within one year	**29,191**	29,287
After one year but within five years	**98,742**	99,207
After five years	**5,887**	17,660
	133,820	146,154

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2012

18. CAPITAL COMMITMENTS

At 30 June 2012 and 31 December 2011, the Group had the following capital commitments in respect of:

	30 June 2012 HK$'000 (Unaudited)	31 December 2011 HK$'000
Contracted for acquisition of property, plant and equipment but not provided	**2,828**	1,739

19. RELATED PARTY DISCLOSURES

During the period, the Group entered into the following significant transactions with its related parties:

	30 June 2012 HK$'000 (Unaudited)	30 June 2011 HK$'000
Related companies owned by non-controlling shareholders of subsidiaries		
— personnel support service fees and reimbursement of expenses (Note i)	**–**	1,786
Related companies owned by the directors of the Company		
— rent (Note ii)	**310**	300
Non-controlling shareholders of a subsidiary		
— rent (Note ii)	**58**	94
Director of the Company		
— rent (Note ii)	**58**	—

Notes:

(i) Personnel support service fees and reimbursement of expenses were mutually agreed by the parties.

(ii) Rental expenses were charged according to the agreements.