



2012

Annual Report



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*



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Company Profile





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 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 Director

Mrs. HO WONG Mary Mee-Tak

Mr. CHIU Wing Yui[#] *Appointed on 1 November 2012*
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

[#] Mr. CHIU Wing Yui resigned as Non-executive Director on 1 November 2012

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

LEGAL ADVISER

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

COMPLIANCE ADVISER

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

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
Australia and New Zealand Banking Group Limited

WEBSITE

www.pcpartner.com



Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of PC Partner Group Limited ("PC Partner" or the "Company") together with its subsidiaries (the "Group"), I am pleased to present the annual report of the Company for the year ended 31 December 2012 (the "year under review").

PERFORMANCE

Global economic uncertainties and slowdown in the economic growth momentum in China resulted in shrinking consumption and a challenging operating environment for the computer and electronics market. As a result of weakened market demand and price competitions on video graphics cards, the total revenue of the Group for the year end 31 December 2012 amounted to HK\$5,175.7 million, representing a decrease of HK\$793.5 million or 13.3% compared with last year. Our profit for the year decreased by HK\$20.4 million or 28.1% to HK\$52.3 million in 2012.

The Board proposes the payment of a final dividend of HK\$0.03 per share.

OPPORTUNITIES AND CHALLENGES IN THE INDUSTRY

During the year under review, video graphics cards remained as the major revenue contributor of the Group, 62.7% of the Group's revenue was generated from sales under this business segment. For the year ended 31 December 2012, the sales of video graphics cards experienced a decrease of 15.9% to HK\$3,247.1 million from HK\$3,859.1 million last year, which was mainly attributable to a decline in sales of video graphics cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") contract manufacturing customers by 25.6% to HK\$1,490.5 million from HK\$2,004.1 million last year together with the intense price competitions on the Group's own brands video graphics cards segment in China and under the Europe, Middle East and Africa ("EMEA") regions, which result in a 5.3% decline in revenue of the Group's own brands video graphics cards to HK\$1,756.6 million from HK\$1,855.0 million last year.

Both electronics manufacturing services ("EMS") segment and other PC related products and components segment experienced a decline in revenue by 11.6% and 2.3% this year respectively. The drop in revenue under EMS was mainly attributable to the significant decline in the Internet media tablets and flash memory businesses of a total of HK\$469.4 million, which was partially offset by both new business and existing business growth of a total of HK\$303.3 million this year. Decline in other PC related products and components segment was mainly attributable to the low volume on components trading.



Chairman's Statement ■

Nevertheless, we continued our business strategy on expanding the Group's own brands products to drive a new source of income during the year under review. We also continued to enhance the recognition on our own brands and manufacturing services by offering advanced and value-added products and services to customers. To cope with future development, we continued to participate in several large-scale computers and electronics exhibitions and reputable technology events this year, showcasing the latest and quality electronic products of the Group to buyers in order to seek new business opportunities.

OUTLOOK

Given the conservative market sentiment, the Group experienced a challenging year in 2012. In anticipation of volatile global economy and tough retail and operating environment ahead, the Group will continue its prudent development strategy to further expand its business channels to develop, produce and promote new products and brand name with advanced research and development, branding and manufacturing capabilities. Meanwhile, we are well positioned to capture the long-term growth, and are confident for the growing opportunities in the EMS and other PC related products and components segments. Demand for the Group's core products will be maintained at a promising level supported by improving living standard.



Leveraging on our competitive design, development and engineering capabilities, we successfully developed recognised branding and extensive manufacturing facilities. The Group will continue to push ahead with the development of new products and new businesses in order to drive the revenue growth of the Company. Being one of the world leading computer electronics manufacturers, we will further strengthen our strategic partnership with world-wide major chipset providers, which enables PC Partner to develop high performance, cost-competitive products and solutions to our customers.

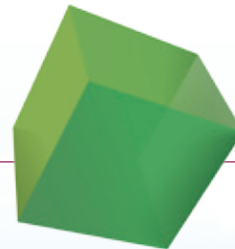


On behalf of the Board, I would like to express my cordial gratitude to all shareholders and employees for their continuous support over the years. The Group will continue to offer innovative and reliable products and services to customers, and to bring fruitful returns to our shareholders.

WONG Shik Ho Tony

Chairman and Chief Executive Officer

Hong Kong, 25 March 2013



Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the design, development, and manufacturing of video graphics cards for desktop PCs, electronics manufacturing services (“EMS”), and manufacturing and trading in other PC products and components.

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 relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remained as the core business of the Group for the year under review.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products 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, a flash memory provider and a healthcare product provider. Besides the video graphics cards and EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands, and derives revenue from trading in components.





Management Discussion and Analysis ■

Business Performance

Total revenue decreased by HK\$793.5 million or 13.3%, from HK\$5,969.2 million in 2011 to HK\$5,175.7 million in 2012.

Asia Pacific region

The Asia Pacific (“APAC”) region experienced a decline in revenue by HK\$346.5 million or 14.3%, from HK\$2,417.7 million in 2011 to HK\$2,071.2 million in 2012. This was mainly resulted from a significant decline in sales of video graphics cards to the ODM/OEM contract manufacturing customers in the region.

Europe, Middle East and Africa region

The Europe, Middle East and Africa (“EMEA”) region experienced a decline of HK\$470.1 million or 23.5%, from HK\$2,001.6 million in 2011 to HK\$1,531.5 million in 2012. It was mainly due to a significant decline in orders from the Internet Media Tablet customer by HK\$427.3 million or 49.6%, which was partially offset by a strong demand on LED display products with an increase of revenue by HK\$160.3 million or 204.7%, from HK\$78.3 million in 2011 to HK\$238.6 million in 2012 in the EMS sector. The economic situation in Europe deteriorated noticeably in the financial year 2012 affecting orders for the Group’s own brands products, which resulted in significant decline in the demand on ZOTAC products in the region by HK\$156.4 million or 22.9%, from HK\$681.9 million in 2011 to HK\$525.5 million in 2012.

North and Latin America region

The North and Latin America (“NALA”) region marked a growth of HK\$43.1 million or 7.3%, from HK\$586.8 million in 2011 to HK\$629.9 million in 2012. It was mainly attributable to revenue contribution from a new EMS customer for the year.

People’s Republic of China region

Sales declined by HK\$20.0 million, or 2.1%, from HK\$963.1 million in 2011 to HK\$943.1 million in 2012 for the region. It was mainly resulted from the decline of own brands video graphics cards, which was due to strong price competition from competitors.





■ Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the year under review, total revenue decreased by HK\$793.5 million or 13.3%, from HK\$5,969.2 million in 2011 to HK\$5,175.7 million in 2012. It was mainly due to a decline in sales of video graphics cards by HK\$612.0 million or 15.9%, from HK\$3,859.1 million in 2011 to HK\$3,247.1 million in 2012, mainly resulted from a slowdown in demand for video graphics cards from ODM/OEM contract manufacturing customers. Revenue derived from ODM/OEM contract manufacturing businesses decreased by HK\$513.6 million or 25.6%, from HK\$2,004.1 million in 2011 to HK\$1,490.5 million in 2012.

Revenue from the EMS business decreased by HK\$166.2 million or 11.6%, from HK\$1,437.4 million in 2011 to HK\$1,271.2 million in 2012. The decline was mainly due to a decrease in sales of Internet Media Tablets and the flash memory modules, which was partially offset by relatively high demand on both POS and ATM systems, LED products, and other EMS products.

Sales of other PC related products and components decreased by HK\$15.3 million or 2.3%, from HK\$672.7 million in 2011 to HK\$657.4 million in 2012. The decrease was mainly due to the net effect of decline in components trading by HK\$39.8 million or 18.8%, and the increase in sales of other PC related products by HK\$24.5 million or 5.3%.

Gross Profit and Margin

The gross profit of the Group for the year ended 31 December 2012 was HK\$461.0 million, representing a decrease of HK\$16.6 million or 3.5% compared with HK\$477.6 million in 2011. It was mainly due to the decline in sales by HK\$793.5 million or 13.3%, from HK\$5,969.2 million in 2011 to HK\$5,175.7 million in 2012. Gross profit margin for the year increased 0.9% from 8.0% in 2011 to 8.9% in 2012. It was mainly attributable to the improvement in the Group's product mix, which reduced the overall material cost to revenue ratio by 1.4%, from 86.7% in 2011 to 85.3% in 2012. However, resulted from the increase in minimum wages in Dongguan and appreciation of Renminbi, increment on conversion costs include labour, subcontracting charges and production overheads to revenue ratio increased 0.5% from 5.3% in 2011 to 5.8% in 2012, which was partially offset the product mix contribution and resulted in a net improvement of 0.9% on the gross profit margin.





Management Discussion and Analysis ■

Profit for the year

The profit for the year was HK\$52.3 million in 2012, representing a decrease of HK\$20.4 million or 28.1% over the previous financial year. The drop in gross profit was mainly due to the decline in sales by HK\$793.5 million or 13.3% to HK\$5,175.7 million for the year ended 31 December 2012, together with an increase on administration expenses by HK\$28.8 million or 10.7% in 2012. Correspondingly, the profit margin for the year decreased 0.2% from 1.2% in 2011 to 1.0% in 2012.

Selling and distribution expenses maintained at HK\$100.0 million in 2012 compared with the previous financial year. As a percentage of Group revenue, selling and distribution expenses increased 0.2% from 1.7% in 2011 to 1.9% in 2012, due to a decline in sales of HK\$793.5 million or 13.3% for the year.

Administrative expenses increased by HK\$28.8 million or 10.7%, from HK\$269.0 million in 2011 to HK\$297.8 million in 2012; in which, salaries and compensation (exclusive of directors' emoluments) increased by HK\$31.8 million or 22.3%, from HK\$142.5 million in 2011 to HK\$174.3 million in 2012. Such increase was mainly due to an increase in salaries and additional staff for the year. Share-based payment under staff costs was increased by HK\$11.9 million from HK\$0.6 million in 2011 to HK\$12.5 million in 2012. As a percentage of Group revenue, administrative expenses increased 1.3% from 4.5% in 2011 to 5.8% in 2012. The remaining administrative expenses reduced by HK\$3.0 million or 2.4%, from HK\$126.5 million in 2011 to HK\$123.5 million in 2012, which was resulted from effective cost savings on administration.

Other revenue and other gains and losses increased substantially by HK\$10.9 million from HK\$4.0 million in 2011 to HK\$14.9 million in 2012. This increase included a net exchange gain of HK\$6.2 million arising from the Group's global operations in the ordinary course of business, compared with a net exchange loss of HK\$7.4 million in the previous financial year. Interest income and gain on settlement of derivative financial instruments together increased by HK\$2.8 million from HK\$1.9 million in 2011 to HK\$4.7 million in 2012. The above gain has offset the additional finance costs incurred for the year.

Listing expenses incurred in 2012 was substantially lower than in 2011 as most of the expenses have already been recognised in previous year.

Income tax expense increased by HK\$2.1 million or 22.8% from HK\$9.2 million in 2011 to HK\$11.3 million in 2012, which was mainly contributed by both Hong Kong and the PRC entities during the year.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for the year ended 31 December 2012 was HK\$52.3 million, representing a decrease of HK\$20.4 million compared with the previous financial year.

Basic earnings per share for the year ended 31 December 2012 were HK13 cents as compared with HK21 cents in the previous financial year. The Group declared and paid an interim dividend of HK2 cents per share, which aggregated to HK\$8.4 million in 2012. The Directors proposed a final dividend of HK3 cents per share for the year ended 31 December 2012, which is estimated to be HK\$12.5 million in total.



■ Management Discussion and Analysis

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to HK\$728.0 million as compared with HK\$577.1 million in 2011. Book value per share remained at HK\$1.7.

Financial Position

The Group has total current assets of HK\$2,154.5 million in 2012 and HK\$2,420.0 million in 2011. The Group's total current liabilities amounted to HK\$1,547.5 million in 2012 and HK\$1,971.4 million in 2011. The Group's current ratio, defined as total current assets over total current liabilities, improved to 1.4 in 2012 from 1.2 in 2011.

The Group's cash and bank balances decreased from HK\$717.4 million in 2011 to HK\$602.6 million in 2012. Based on the borrowings of HK\$821.6 million in 2012 and HK\$813.7 million in 2011 and total equity of HK\$728.0 million in 2012 and HK\$577.1 million in 2011, the Group's gearing ratio (being net debts divided by total equity) rose from 16.7% in 2011 to 30.1% in 2012. The increase in gearing ratio was mainly attributable to lower cash and cash equivalent level on hand, which was driven by slow level on trade receivable collection and fast settlement on trade payables to suppliers for the year.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses forward foreign exchange contracts and performance swap contracts as appropriate risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Working Capital

Inventories of the Group as at 31 December 2012 were HK\$697.9 million, decreased by HK\$101.6 million or 12.7% as compared with HK\$799.5 million as at 31 December 2011. The reduction in inventories was mainly due to the decline in revenue in 2012. Inventory turnover days maintained at 58 days for both financial years ended in 2012 and in 2011.

Trade receivables as at 31 December 2012 were HK\$836.5 million, decreased by HK\$12.9 million or 1.5% as compared with HK\$849.4 million as at 31 December 2011. Trade receivable turnover days increased from 54 days to 59 days, which was mainly due to an increase in outstanding receivables of HK\$88.9 million of over one month but within three months.

Trade payables as at 31 December 2012 were HK\$553.2 million, decreased by HK\$385.9 million or 41.1% as compared with HK\$939.1 million as at 31 December 2011. Trade payable turnover days decreased from 65 days to 58 days, which was mainly resulted from shorter payment terms provided by new suppliers appointed by some EMS customers.



Management Discussion and Analysis ■

Charge on Assets

As at 31 December 2012, bank deposit of HK\$0.3 million was pledged to bank to secure general banking facilities granted to the Group.

Capital Expenditure

For the year ended 31 December 2012, the Group invested HK\$17.1 million in the purchase of property, plant and equipment. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments and Contingent Liabilities

As at 31 December 2012, total capital commitments amounted to HK\$1.8 million (2011: HK\$1.7 million), and there were no material contingent liabilities or off balance sheet obligations.

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 HK\$109 million. The Group intends to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely 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 31 December 2012, the Group has applied HK\$9.4 million on expansion of production facilities, HK\$8.9 million on promotion of development of new products and brand name, HK\$1.7 million on research and development, and HK\$3.5 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 5,321 employees (2011: 5,814 employees). Employees are remunerated on basis of their individual performance and prevailing industry practices. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance-related bonuses may also be awarded to the employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognize the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.



Corporate Governance Report

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of the Company and its shareholders and devote considerable efforts to identifying and formalising best practice.

During the year ended 31 December 2012, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) effective until 31 March 2012 and Corporate Governance Code effective from 1 April 2012 (the “New CG Code”) as contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the deviation from code provision A.2.1 of the New CG Code as described below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code and the New CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2012, the 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 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 in 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 a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

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 during the year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.



Corporate Governance Report ■

During the year, 6 Board meetings were held and the attendance of each Director is set out below:

Directors	Number of Attendance
Executive Directors	
Mr. WONG Shik Ho Tony	6/6
Mr. WONG Fong Pak	6/6
Mr. LEUNG Wah Kan	6/6
Mr. HO Nai Nap	6/6
Mr. MAN Wai Hung	6/6
Non-Executive Director	
Mrs. HO WONG Mary Mee-Tak	6/6
Mr. CHIU Wing Yui	5/6
(Resigned as Non-executive Director and appointed as Alternative Director to Mrs. HO WONG Mary Mee-Tak both on 1 November 2012)	
Independent Non-executive Directors	
Mr. IP Shing Hing	6/6
Mr. LAI Kin Jerome	6/6
Mr. CHEUNG Ying Sheung	5/6

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of the Non-executive Director and the Independent Non-executive Directors has entered into a letter of appointment for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a casual vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.



■ Corporate Governance Report

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant and in compliance with provision code A.6.5 of the New CG Code, the Company would arrange and fund suitable continuous professional development for the Directors to participate in order to develop and refresh their knowledge and skills.

During the year ended 31 December 2012, the Company has arranged for each of the Directors to attend, and all Directors have attended a training seminar regarding the disclosure requirements of inside information and notifiable transactions under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Listing Rules by the legal adviser of the Company as to Hong Kong laws.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

Audit Committee

The Company has established the Audit Committee on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group as well as to provide advice and comments to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. LAI Kin Jerome, Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung. Mr. LAI Kin Jerome is the chairman of the Audit Committee.

During the year, 5 Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. LAI Kin Jerome	5/5
Mr. IP Shing Hing	5/5
Mr. CHEUNG Ying Sheung	5/5

During the meetings held in 2012, the Audit Committee had performed the following major works:

- (1) reviewed and approved the remuneration and terms of engagement letter of external auditor regarding the financial statements of the Group for the year ended 31 December 2011 (the "2011 Financial Statements");
- (2) reviewed the 2011 Financial Statements and discussed with the external auditor on any findings in relation to the 2011 Financial Statements and audit issues;
- (3) reviewed and discussed the findings of internal control report prepared by the external auditor before listing of the Company; and
- (4) reviewed the interim results for the six months ended 30 June 2012 of the Group.



Corporate Governance Report ■

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

Remuneration Committee

The Company has established the Remuneration Committee on 21 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies and structure. The Remuneration Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony. Mr. IP Shing Hing is the chairman of the Remuneration Committee.

During the year, 1 Remuneration Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. IP Shing Hing	1/1
Mr. LAI Kin Jerome	1/1
Mr. CHEUNG Ying Sheung	1/1
Mr. WONG Shik Ho Tony	1/1

The Remuneration Committee had reviewed and discussed the existing remuneration policy of the Company and the remuneration package of Executive Directors and senior management of the Group.

Nomination Committee

The Company has established the Nomination Committee on 21 December 2011 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony. Mr. IP Shing Hing is the chairman of the Nomination Committee.

During the year, 1 Nomination Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. IP Shing Hing	1/1
Mr. LAI Kin Jerome	1/1
Mr. CHEUNG Ying Sheung	1/1
Mr. WONG Shik Ho Tony	1/1



■ Corporate Governance Report

The Nomination Committee had reviewed the structure, size and the composition of the Board in consideration of the change of directorship of the Company during the year.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out in the New CG Code, which includes to develop and review the Group's policies and practices on corporate governance, to review and monitor the training and continuous professional development of the Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors and to review the Group's compliance with the New CG Code and disclosure in this Corporate Governance Report.

NON-COMPETITION UNDERTAKING

The Independent Non-executive Directors have reviewed the confirmation given by Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited, the controlling shareholders of the Company, pursuant to which each of Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited has confirmed that, for the year ended 31 December 2012, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition deed dated 21 December 2011 as disclosed in the prospectus of the Company dated 29 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

COMPLIANCE ADVISER

For the purpose of and in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed WAG Worldsec Corporate Finance Limited as its Compliance Adviser for the period commencing from 12 January 2012, date of listing, to the Company and ending on the date of dispatch of the annual report of the Company containing its financial results for the full year ending 31 December 2013.



AUDITOR'S REMUNERATION

The remuneration paid and payable for the year ended 31 December 2012 to the Company's external auditor, BDO Limited, is set out as follows:

Services rendered to the Group	HK\$
Audit services	1,050,000
Non-audit services (Note)	100,000

Note: Non-audit services on agreed-upon procedures on the interim results of the Group and preliminary results announcement.

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control system of the Group through the Audit Committee.

COMPANY SECRETARY

Ms. LEUNG Sau Fong is the Company Secretary of the Company. Ms. LEUNG is a director of a corporate secretarial services provider in Hong Kong. The primary contact persons of the Company with Ms. LEUNG are Mr. WONG Shik Ho Tony, the Chairman and Chief Executive Officer of the Company and Mr. LAU Ka Lai Gary, the Chief Financial Officer of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. LEUNG has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

SHAREHOLDERS RIGHTS

Procedures for shareholders to convene an extraordinary general meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.
2. The EGM shall be held within 2 months after the deposit of such requisition.
3. If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.



■ Corporate Governance Report

Procedures for raising enquires

1. Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section of headed "Corporate Information" of this annual report.
2. Shareholders may at any time raise any enquiry in respect of the Company to our investor relation team via email at the email address at ir@pcpartner.com.
3. Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and contact details for putting forward proposals at shareholders' meetings

1. To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at 19/F., Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin, New Territories for the attention of the Board or the Company Secretary of the Company.
2. The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.
3. The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:
 - (i) At least 21 clear days' notice (the notice period must include 20 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or
 - (ii) At least 14 clear days' notice (the notice period must include 10 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.pcpartner.com as a channel to facilitate effective communication with the shareholders.



Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 53, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Executive Officer* on 24 January 2011 and was a co-founder of the Group in May 1997. He is also a member of each of the remuneration committee and the nomination committee of the Board. Mr. WONG is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's video graphics cards, motherboards, Mini PCs and other PC accessories businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. WONG was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea, South Wales, the United Kingdom in 1982.

Mr. WONG Fong Pak, aged 63, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Executive Vice President* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. WONG is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. WONG worked as purchasing manager at VTech Computers Limited.

Mr. LEUNG Wah Kan, aged 54, was appointed as a Director on 1 April 2010 and re-designated as an *Executive Director and Chief Operation Officer* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. LEUNG is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. LEUNG was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong.

Mr. HO Nai Nap, aged 57, was appointed as an *Executive Director* on 24 January 2011 and is the founder of ASK Technology Limited ("ASK Technology") in 1989. Mr. HO is now the general manager and managing director of ASK Technology Group Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("ASK Group"). He is responsible for the general management, including product and sales of ASK Group. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. HO worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd.. Mr. HO was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, the United States of America.

Mr. MAN Wai Hung, aged 47, was appointed as an *Executive Director* on 24 January 2011 and is the co-founder of Manli Technology Co. Limited in 1996. Since 2008, Mr. MAN has been the managing director of Manli Technology Group Limited, a wholly-owned subsidiary of the Company and is in charge of functions of sales and marketing, and business development. He was conferred a Bachelor of Arts degree in 1988 by the University of Hong Kong.



■ Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mrs. HO WONG Mary Mee-Tak, aged 63, was appointed as a *Non-executive Director* on 24 January 2011. Mrs. HO was the wife of the late Mr. HO Hin Wun Bosco, a co-founder of the Group. Mrs. HO also sits on the boards as non-executive director of other companies within the Group. She completed a three-year program of study in interior design at Ryerson Polytechnical Institute in 1972.

Mr. CHIU Wing Yui, aged 48, was appointed as an *Alternate Director* to Mrs. HO WONG Mary Mee-Tak on 1 November 2012. Mr. CHIU has been a Non-executive Director of the Company from 24 January 2011 to 31 October 2012. Mr. CHIU is also an alternate director to Mrs. HO WONG Mary Mee-Tak for various companies within the Group. Mr. CHIU was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales, United Kingdom. After graduation, Mr. CHIU worked for B.S.C. Building Materials Supply Company Limited as a system support supervisor. Mr. CHIU was conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, aged 57, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the remuneration committee and the nomination committee of the Board and a member of the audit committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons.) Degree in 1978 by the University of Hong Kong and a Master of Arts degree in Arbitration and Alternative Dispute Resolution in 2005 by the City University of Hong Kong. He is a solicitor and notary public of Hong Kong, China-appointed Attesting Officer and Justice of the Peace. He has been a practicing solicitor in Hong Kong for more than 20 years. He is currently serving as an independent non-executive director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002–2004), chairman of the Association of China-Appointed Attesting Officers Limited, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), director of Ocean Park Corporation (March 2006 to February 2012), member of Hong Kong Housing Authority (April 2007 to June 2012) and chairman of Appeal Board (Amusement Game Centres) since 30 May 2010.

Mr. LAI Kin Jerome, aged 64, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and the nomination committee of the Board. Mr. LAI graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. LAI has over 30 years of experience in accounting and management. Mr. LAI was a non-executive director of SPG Land (Holdings) Limited between January 2009 to December 2011, a company listed on the Stock Exchange. He also served as chief financial officer and executive director at SPG Land (Holdings) Limited between 2006 and 2008. Mr. LAI was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and an executive director of the finance and management services division of the Stock Exchange between 1997 and 2000. Mr. LAI is currently an independent non-executive director of Mastercraft International Holdings Limited, a company listed on the Stock Exchange.



Directors and Senior Management ■

Mr. CHEUNG Ying Sheung, aged 59, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. CHEUNG graduated from Imperial College of Science and Technology, University of London with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in 1978. He joined the University of Hong Kong (the “University”) in 1980 and is currently Associate Vice-President and Director of Technology Transfer of the University, as well as professor of Electrical and Electronic Engineering. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000. He was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission. He is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers (“IEEE”). He is also a director of the IEEE Foundation.

SENIOR MANAGEMENT

Mr. KWONG Kwok Kuen, aged 52, is *Director of Sales — EMEA Region*, responsible for the Group’s sales and marketing of motherboards, video graphics cards and consumer electronic products in European regions. Mr. KWONG has extensive experience in electronics industry. Prior to joining the Group in January 2005, he served as executive director of Silver Star Technology Limited and as general manager of the Hong Kong office of Norsk Data International Limited. Mr. KWONG graduated with a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University.

Mr. KONG Chun Kwok Bruce, aged 53, is *Director of Sales — China and NALA Regions*, responsible for the Group’s channel segment sales and marketing of ZOTAC motherboards, video graphics cards and MiniPCs in China and NALA regions. Mr. KONG holds a Higher Certificate from Hong Kong Polytechnic University. He joined the Group in April 2005.

Mr. CHOW Hon Fat, aged 45, is *Director of Program Management — Graphics*, responsible for account servicing and program management of the Group’s video graphics cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. CHOW was a production and material control manager of VTech Computers Limited.

Mr. WONG Man Fai, aged 51, is *Director of Product Department*, responsible for product marketing of the ZOTAC video graphics cards of the Group. Mr. WONG has over 20 years’ experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Bachelor of Business (Management) degree from RMIT University, Australia and a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University. He joined the Group in July 2006.

Mr. POON Chun Kin, Alan, aged 52, is *General Manager*, responsible for the Group’s video graphics cards, motherboard and mini-PC manufacturing operations in China. Mr. Poon has over 25 years’ engineering and operational management experience in electronic, communication and information technology industries. Mr. Poon finished his engineering education in the USA and obtained his MSc. and BSc. in Electrical Engineering from the University of Purdue and University of Illinois at Chicago respectively.

Mr. LAM Kwok Ling, aged 56, is *General Manager*, responsible for the Group’s EMS manufacturing operations in China. He joined the Group in December 2011. Mr. LAM has more than 20 years’ experience in the electronics and EMS industry. Prior to joining the Group, he has worked for Sanmina-SCI (China) Ltd., Philips Electronics Hong Kong Ltd., Wong’s Electronics Co., Ltd., Maxtor (HK) Ltd., MiniScribe (HK) Ltd., Herald Datanetics Ltd., Mattel Electronics (HK) Ltd., Atlas Electronics Co., Ltd., Chen Hsong Machinery Co., Ltd., etc. in various senior operation, QA and engineering management positions.



■ Directors and Senior Management

Mr. LAI Shui Wah, aged 59, is *General Manager*, responsible for the Group's Tian Pei manufacturing operation in China. He joined the Group in September 1997. Mr. LAI has more than 20 years' experience in the electronics and computer industry. Prior to joining the Group in 1997, he has worked for VTech Computers Limited, Fairchild Semiconductor (Hong Kong) Limited, Digital Equipment International Limited and Ampex Ferrotec Limited. Mr. LAI holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic University.

Mr. HUANG Chia Pao, aged 47, is *Director of Product* of the Group, responsible for the product development of motherboard and miniPC business of the Group. Mr. HUANG joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit Computer Corp., DFI San Jose and OCZ Technology Group, Inc. in Taiwan and the USA. Mr. HUANG holds a Bachelor of Business Administration degree from the National Chung Hsing University in Taiwan.

Mr. CHEUNG Pui Kuen, aged 52, is *Director of Procurement*, responsible for the Group's strategic procurement activities. Mr. CHEUNG has over 20 years' experience in purchasing, material and operation management. Prior to joining the Group in April 2011, he has worked for Karrie Industrial Co., Ltd., Johnson Electric International Ltd., Life Management Services Ltd., AST Research (Far East) Ltd., Longford Industrial Ltd. and Integrated Display Technology Ltd.

Mr. WONG Chi Wah, aged 54, is *Chief Human Resources and Administration Officer*, responsible for the Group's overall human resources, legal and general administration functions. Before joining the Group in September 2007, Mr. WONG has worked for Motorola Semiconductors Hong Kong Limited, Elec & Eltek Company Limited and the Wharf (Holdings) Limited. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Science degree in Engineering Business Management from the University of Warwick in the UK.

Mr. LAU Ka Lai Gary, aged 43, is *Chief Financial Officer*, responsible for overall financial, accounting and MIS functions of the Group. He joined the Group in October 2010. He is a member of American Institute of Certified Public Accountants. Mr. LAU graduated from the University of Windsor, Canada, with a Bachelor of Commerce degree and the University of Western Ontario, Canada, with a Bachelor of Science degree. He also holds a Master of Business Administration and a Master in Business Systems. Prior to joining the Group, he has worked for Rolex (Hong Kong) Limited, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu.



Changes in Information of Directors

The changes in information of Directors of the Company subsequent to the date of the 2011 Annual Report of the Company are set out below:

Name of Directors	Details of Changes
Mr. CHIU Wing Yui	(i) Resigned as a Non-executive Director of the Company on 1 November 2012 (ii) Appointed as an Alternate Director to Mrs. HO WONG Mary Mee-Tak, a Non-executive Director of the Company, on 1 November 2012
Mr LAI Kin Jerome	Appointed as an Independent Non-executive Director of Mastercraft International Holdings Limited, a company listed on the Stock Exchange, on 21 June 2012
Mr. IP Shing Hing	Appointed as the Chairman of Association of China-Appointed Attesting Officers on 21 August 2012
Mr. CHEUNG Ying Sheung	Appointed as the Associate Vice-President of The University of Hong Kong on 1 September 2012



Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, development and manufacturing of video graphics cards. The Group also provides Electronics Manufacturing Service and manufactures other PC related products.

An analysis of the Group's turnover and segment information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 35 of this report.

The Board recommends the payment of a final dividend of HK\$0.03 per share to shareholders whose name appears on the register of members of the Company at the close of business on 26 June 2013.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 29 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on page 39 and in note 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2012 amounted to HK\$627.9 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$30,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 17 to the consolidated financial statements.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in note 38 to the consolidated financial statements.



FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 December 2012.

	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
RESULTS					
Turnover	5,175,674	5,969,166	5,585,382	4,709,202	4,389,316
Profit before income tax	63,557	81,902	133,106	115,533	65,009
Income tax expense	(11,303)	(9,223)	(15,738)	(14,880)	(10,898)
Profit for the year	52,254	72,679	117,368	100,653	54,111
Attributable to:					
Owners of the Company	52,254	70,213	110,295	88,827	51,558
Non-controlling interests	—	2,466	7,073	11,826	2,553
	52,254	72,679	117,368	100,653	54,111
ASSETS AND LIABILITIES					
Total assets	2,275,576	2,548,498	2,706,782	2,282,623	1,633,355
Total liabilities	(1,547,570)	(1,971,417)	(2,136,402)	(1,789,352)	(1,223,895)
Total equity	728,006	577,081	570,380	493,271	409,460

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

On 14 December 2011, the shareholders of the Company approved and adopted a pre-IPO share option scheme. Particulars of the pre-IPO share option scheme of the Company are set out in note 32 to the consolidated financial statements.



■ Report of the Directors

DIRECTORS

The Directors during the year and as at the date of this report are:

Executive Directors:

Mr. WONG Shik Ho Tony
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. HO Nai Nap
Mr. MAN Wai Hung

Non-executive Director:

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui# *Appointed on 1 November 2012*
(Alternative Director to Mrs. HO WONG Mary Mee-Tak)

Independent Non-executive Directors:

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

Mr. CHIU Wing Yui resigned as Non-executive Director on 1 November 2012

In accordance with Article 108 of the Articles of Association, Mr. WONG Fong Pak, Mr. LEUNG Wah Kan and Mr. MAN Wai Hung will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the three Independent Non-executive Directors, Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung that they have met all the factors concerning their independence as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and that there are no other factors which may affect their independence. The Company's board of directors (the "Board") considers these Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 34 to the consolidated financial statements, no contracts of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.



DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting. Under the agreements, the Executive Directors will receive a fixed monthly salary. The Executive Directors will also receive a year end bonus and a discretionary performance bonus and discretionary profit-sharing bonus under the agreements.

Each of Non-executive Director and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting.

Apart from the above, none of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests and short positions 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of 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.



■ Report of the Directors

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%

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, 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%



Report of the Directors ■

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.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2012	2011
	%	%
Sales		
– the largest customer	11%	14%
– five largest customers combined	37%	38%
Purchases		
– the largest supplier	35%	31%
– five largest suppliers combined	45%	45%

During the year, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

During the year, there is no connected transaction of the Group that required for the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.



■ Report of the Directors

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 14 to 20 of this report.

AUDITOR

The financial statements for the year ended 31 December 2012 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

WONG Shik Ho Tony

Chairman

Hong Kong

25 March 2013



Independent Auditor's Report

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TO THE SHAREHOLDERS OF PC PARTNER GROUP LIMITED

(栢能集團有限公司)

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 35 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



■ Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited

Certified Public Accountants

Chan Kam Wing, Clement

Practising Certificate Number P02038

Hong Kong, 25 March 2013



Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Turnover	6, 7	5,175,674	5,969,166
Cost of sales		(4,714,677)	(5,491,587)
Gross profit		460,997	477,579
Other revenue and other gains and losses	8	14,881	4,012
Selling and distribution expenses		(99,909)	(100,347)
Administrative expenses		(297,838)	(268,999)
Listing expenses		(720)	(19,266)
Finance costs	9	(13,854)	(11,077)
Profit before income tax	10	63,557	81,902
Income tax expense	11	(11,303)	(9,223)
Profit for the year		52,254	72,679
Other comprehensive income, after tax			
Exchange differences on translating foreign operations		507	(67)
Total comprehensive income for the year		52,761	72,612
Profit for the year attributable to:			
— Owners of the Company	14	52,254	70,213
— Non-controlling interests		—	2,466
		52,254	72,679
Total comprehensive income for the year attributable to:			
— Owners of the Company		52,761	70,154
— Non-controlling interests		—	2,458
		52,761	72,612
		HK\$	HK\$
Earnings per share	16		
— Basic		0.13	0.21
— Diluted		0.13	0.21

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Property, plant and equipment	17	90,361	97,259
Intangible assets	18	7,990	8,356
Other financial assets	20	20,992	20,992
Deferred tax assets	23	1,762	1,859
Total non-current assets		121,105	128,466
Current assets			
Inventories	24	697,921	799,495
Trade and other receivables	21	851,997	893,904
Derivative financial assets	22	1,308	559
Current tax recoverable		344	1,549
Pledged time deposits		310	7,129
Cash and cash equivalents	25	602,591	717,396
Total current assets		2,154,471	2,420,032
Total assets		2,275,576	2,548,498
Current liabilities			
Trade and other payables	26	713,594	1,146,220
Borrowings	27	821,539	813,637
Provisions	28	6,228	7,894
Obligations under finance leases		16	17
Derivative financial liabilities	22	3	54
Current tax liabilities		6,148	3,537
Total current liabilities		1,547,528	1,971,359
Net current assets		606,943	448,673
Total assets less current liabilities		728,048	577,139
Non-current liabilities			
Obligations under finance leases		42	58
NET ASSETS		728,006	577,081



Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Capital and reserves attributable to owners of the Company			
Share capital	29	41,752	33,052
Reserves		686,254	544,029
TOTAL EQUITY		728,006	577,081

On behalf of the Board

Director

Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Non-current assets			
Investment in a subsidiary	19	528,830	528,830
Current assets			
Prepayments, deposit and other receivables		849	12,032
Amounts due from subsidiaries	19	22,991	550
Cash and cash equivalents		123,736	145
Total current assets		147,576	12,727
Current liabilities			
Accruals		4,959	14,214
Amount due to a subsidiary	19	1,824	18,023
Total current liabilities		6,783	32,237
Net current assets/(liabilities)		140,793	(19,510)
NET ASSETS		669,623	509,320
Capital and reserves			
Share capital	29	41,752	33,052
Reserves	30	627,871	476,268
TOTAL EQUITY		669,623	509,320

On behalf of the Board

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to owners of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Translation reserve	Merger reserve	Other reserve	Legal reserve	Share-based payment reserve	Retained profits			Total
At 1 January 2011	30,318	6,702	34	—	—	49	—	511,230	548,333	22,047	570,380
Profit for the year	—	—	—	—	—	—	—	70,213	70,213	2,466	72,679
Other comprehensive income											
— exchange difference on translating foreign operations	—	—	(59)	—	—	—	—	—	(59)	(8)	(67)
Total comprehensive income	—	—	(59)	—	—	—	—	70,213	70,154	2,458	72,612
Arising from the reorganisation											
— Acquisition of additional interests in subsidiaries	2,734	—	—	—	21,771	—	—	—	24,505	(24,505)	—
— Share swap of holding company	—	(6,702)	—	6,702	—	—	—	—	—	—	—
Dividend paid (Note 15)	—	—	—	—	—	—	—	(66,504)	(66,504)	—	(66,504)
Equity settled share-based transactions (Note 32)	—	—	—	—	—	—	593	—	593	—	593
Transfer to legal reserve	—	—	—	—	—	141	—	(141)	—	—	—
At 31 December 2011 and 1 January 2012	33,052	—	(25)	6,702	21,771	190	593	514,798	577,081	—	577,081
Profit for the year	—	—	—	—	—	—	—	52,254	52,254	—	52,254
Other comprehensive income											
— exchange difference on translating foreign operations	—	—	507	—	—	—	—	—	507	—	507
Total comprehensive income	—	—	507	—	—	—	—	52,254	52,761	—	52,761
Issuance of shares (Note 29)	8,700	130,500	—	—	—	—	—	—	139,200	—	139,200
Share issue expenses	—	(11,169)	—	—	—	—	—	—	(11,169)	—	(11,169)
Dividend paid (Note 15)	—	—	—	—	—	—	—	(41,752)	(41,752)	—	(41,752)
Equity settled share-based transactions (Note 32)	—	—	—	—	—	—	11,885	—	11,885	—	11,885
Transfer to legal reserve	—	—	—	—	—	938	—	(938)	—	—	—
At 31 December 2012	41,752	119,331	482	6,702	21,771	1,128	12,478	524,362	728,006	—	728,006



■ Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

Notes:

- (a) Share premium as at 31 December 2012 represented premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. Share premium as at 1 January 2011 represented the amount subscribed for share capital of the Company's directly-held subsidiary, PC Partner Holdings Limited, in excess of nominal value and was transferred to merger reserve pursuant to the Reorganisation as detailed in note 1 to the consolidated financial statements.
- (b) Merger reserve represents the difference between the share capital of the Company and the combined share capital and share premium of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation as disclosed in note 1 to the consolidated financial statements.
- (c) Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the Reorganisation over their nominal values.
- (d) Legal reserve included (i) reserve made by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserve made by the Group's subsidiaries established in the People's Republic of China (the "PRC") pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve fund must be maintained at a minimum of 25% of share capital after usage.



Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Operating activities			
Profit before income tax		63,557	81,902
Adjustments for:			
Depreciation		34,753	39,960
Amortisation of intangible assets		1,800	1,728
Interest income		(2,681)	(537)
Net fair value gain and gain on settlement of derivative financial instruments		(2,848)	(1,602)
Interest expense		13,854	11,077
Gain on liquidation of a subsidiary		—	(42)
Gain on disposal of property, plant and equipment		—	(7)
Property, plant and equipment written off		12	21
Provision for impairment losses in trade receivables		870	471
Share-based payment expenses		11,885	593
Provision/(reversal of provision) for obsolete inventories		11,571	(5,417)
Operating profit before working capital changes		132,773	128,147
Inventories		90,003	147,644
Trade and other receivables		26,685	50,336
Trade and other payables		(432,655)	(62,074)
Import loans		49,404	(92,523)
Provision for product warranties and returns		(1,666)	(4,458)
Amount due from a shareholder		3,800	(3,800)
Cash (used in)/generated from operations		(131,656)	163,272
Interest paid		(13,854)	(11,077)
Income tax paid		(7,392)	(12,477)
Net cash (used in)/generated from operating activities		(152,902)	139,718
Investing activities			
Decrease in pledged time deposits		6,819	13
Payments to acquire property, plant and equipment		(17,135)	(44,274)
Acquisition of a subsidiary, net of cash acquired	35	(1,589)	—
Disposal of a subsidiary		—	(1,320)
Interest received		2,681	537
Net cash receipt on settlement of derivative financial instruments		2,048	1,347
Net cash used in investing activities		(7,176)	(43,697)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Financing activities			
Proceeds from issue of ordinary shares, net of related expenses		128,031	—
Dividend paid to owners of the Company		(41,752)	(35,208)
Proceeds from bank loans		—	29,000
Repayment of bank loans		(34,011)	(64,476)
Proceeds from discounted bills and factoring loans		51,759	154,234
Repayment of discounted bills and factoring loans		(59,250)	(147,489)
Repayment of obligations under finance leases		(16)	(13)
Net cash generated from/(used in) financing activities		44,761	(63,952)
Net (decrease)/increase in cash and cash equivalents		(115,317)	32,069
Cash and cash equivalents at beginning of year		717,396	685,240
Effect of exchange rate changes on cash and cash equivalents		512	87
Cash and cash equivalents at end of year	25	602,591	717,396



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

PC Partner Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries (referred to as the “Group”) are engaged in business of design and manufacturing of electronics and personal computer parts and accessories with its operation base in mainland China and trading of electronics and personal computer parts and accessories with its operation base in Hong Kong, Macau, Korea and the United States of America.

Pursuant to the Reorganisation (“Reorganisation”) as detailed in the subsection headed “Corporate Reorganisation” in Appendix V to the prospectus of the Company dated 29 December 2011 (the “Prospectus”), in preparation for the listing (the “Listing”) of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 21 December 2011. As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, the consolidated financial statements of the Group for the year ended 31 December 2011 had been presented as a continuation of the existing group based on merger accounting principle.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs – effective 1 January 2012

The Group has adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2012.

Amendments to HKFRS 7

Disclosures – Transfers of Financial Assets

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity’s future cash flows.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle ²
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ¹
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities ³
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 27 (2011)	Separate Financial Statements ²

Notes:

- ¹ Effective for annual periods beginning on or after 1 July 2012
- ² Effective for annual periods beginning on or after 1 January 2013
- ³ Effective for annual periods beginning on or after 1 January 2014
- ⁴ Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRSs (Amendments) – Annual Improvements 2009–2011 Cycle

The improvements made amendments to four standards that are potentially relevant to the Group's operations.

(i) *HKAS 1 Presentation of Financial Statements*

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41–44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) *HKAS 16 Property, Plant and Equipment*

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) *HKAS 32 Financial Instruments: Presentation*

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) *HKAS 34 Interim Financial Reporting*

The amendments clarify that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity “currently has a legally enforceable right to set off” and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 13 – Fair Value Measurement (continued)

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiary

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings	50 years
Leasehold improvements	Over the remaining lease terms
Plant and machinery	2 to 5 years
Office and testing equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	3 years
Moulds	2 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

(i) *Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Non-contractual customer lists and relationship	5 years
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The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

(ii) *Impairment*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (Note 4(l)).



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Impairment (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

(g) Financial instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- * significant financial difficulty of the debtor;
- * a breach of contract, such as a default or delinquency in interest or principal payments;
- * granting concession to a debtor because of debtor's financial difficulty;
- * it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iii) Financial liabilities (continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligation under finance leases, provisions and borrowings by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(h) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency (continued)

On preparing consolidated financial statements, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as foreign exchange reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in the translation reserve.

(k) Employee benefits

(i) *Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) *Pension obligations*

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

For employees in the People's Republic of China (the "PRC"), the Group contributes to state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(l) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets with finite useful lives; and
- investment in a subsidiary

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are discussed below.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.



■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of available-for-sale investments

The Group determines at each reporting date whether there is any objective evidence that the available-for-sale investments are impaired. In performing its review, the Group considers the profitability and financial position of the investments and economic outlooks relating to those investments. If such indication exists, the amount of the impairment loss is measured as the difference between the carrying amount of available-for-sale investments and the present value of estimated future cash flows, discounted at the current market rate of return for a similar investment. If the economic outlooks of the investments were to deteriorate, resulting in an impairment of the investments, the carrying value of those investments may be required to be impaired as of 31 December 2012. On the above basis, the directors of the Company are of the view that no impairment of investments is required.

Provision for obsolete inventories

Management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

Impairment of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Warranty and returns provisions

As explained in note 28, the Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional 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

(i) Turnover

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

	2012 HK\$'000	2011 HK\$'000
Asia Pacific ("APAC")	2,071,250	2,417,745
North and Latin America ("NALA")	629,891	586,763
PRC	943,066	963,071
Europe, Middle East and Africa ("EMEAI")	1,531,467	2,001,587
	5,175,674	5,969,166

(ii) Specified non-current assets

An analysis of the Group's non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets") is as follows:

	2012 HK\$'000	2011 HK\$'000
APAC	11,393	10,735
NALA	242	—
PRC	86,585	94,880
EMEAI	131	—
	98,351	105,615

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

6. SEGMENT REPORTING (CONTINUED)

(c) Revenue from major products and services

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

	2012 HK\$'000	2011 HK\$'000
Video graphics cards	3,247,078	3,859,105
Electronics manufacturing services	1,271,219	1,437,382
Other PC related products and components	657,377	672,679
	5,175,674	5,969,166

(d) Information about major customers

Revenue from customers of the corresponding periods contributing 10% or more of the Group's revenue is as follows:

	2012 HK\$'000	2011 HK\$'000
Customer A (Note a)	550,256	N/A
Customer B (Note b)	N/A	863,655

Notes:

- (a) Revenue from this customer was derived mainly from sales of video graphics cards in the PRC. Its revenue in 2011 did not contribute 10% or more of the Group's revenue.
- (b) Revenue from this customer was derived from rendering of electronics manufacturing services in the EMEAI region. Its revenue in 2012 does not contribute 10% or more of the Group's revenue.

7. TURNOVER

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2012 HK\$'000	2011 HK\$'000
Interest income	2,681	537
Net exchange gains/(losses)	6,164	(7,398)
Net fair value gains on derivative financial instruments	800	255
Net gain on settlement of derivative financial instrument	2,048	1,347
Gain on disposal of property, plant and equipment	—	7
Sundry income	3,188	9,264
	14,881	4,012

9. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on bank advances and other borrowings wholly repayable within five years	13,854	11,077

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2012 HK\$'000	2011 HK\$'000
Inventories recognised as expense	4,703,106	5,484,445
Provision for obsolete inventories	11,571	7,142
Cost of sales	4,714,677	5,491,587
Staff costs (Note 12)	357,249	332,487
Auditor's remuneration	1,545	1,485
Depreciation of property, plant and equipment	34,753	39,960
Amortisation of intangible assets	1,800	1,728
Provision for impairment losses on trade and other receivables	870	471
Operating lease payments on plant and machinery	282	—
Operating lease payments on premises	30,346	27,527
Property, plant and equipment written off	12	21
Provision for product warranties and returns (Note 28)	7,904	12,570
Research and development expenditures (Note)	27,322	25,639

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For the year ended 31 December 2012

10. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

The research and development expenditures for the year include HK\$27,322,000 (2011: HK\$25,639,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

11. INCOME TAX EXPENSE

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

	2012 HK\$'000	2011 HK\$'000
Current tax — Hong Kong		
— provision for the year	8,208	6,556
— under/(over) provision in respect of prior year	3	(46)
Current tax — PRC		
— provision for the year	2,232	3,169
— under provision in respect of prior year	256	—
Current tax — Korea		
— provision for the year	503	117
— under provision in respect of prior year	4	2
	11,206	9,798
Deferred tax		
— origination and reversal of temporary differences (Note 23)	97	(575)
Income tax expense	11,303	9,223

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

11. INCOME TAX EXPENSE (CONTINUED)

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

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year ended 31 December 2012. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during the year and the applicable PRC enterprise income tax rate is 15%. Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2011: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2012.

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

(b) The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012 HK\$'000	2011 HK\$'000
Profit before income tax	63,557	81,902
Tax on profit before income tax, calculated at Hong Kong profits tax rate	10,487	13,514
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,446)	(2,738)
Effect of tax exemption granted to a subsidiary	(1,563)	(5,609)
Tax effect of non-taxable net income relating to offshore operation	(7,698)	(4,503)
Tax effect of expenses not deductible for tax purposes	5,028	3,887
Tax effect of revenue not taxable for tax purposes	2,814	2,214
Tax effect of tax losses and deductible temporary differences not recognised	3,087	5,374
Utilisation of tax losses previously not recognised	—	(2,921)
Under/(over) provision in prior year	263	(44)
Tax rebate	(50)	(72)
Others	381	121
Income tax expense	11,303	9,223

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12. STAFF COSTS

	2012 HK\$'000	2011 HK\$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	314,686	302,758
Pension contribution	2,430	2,169
Social insurance	16,795	15,400
Share-based payment (equity-settled)	11,885	593
Provision for long services payment, provision for annual leave and others	11,453	11,567
	357,249	332,487

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2011: ten) directors and chief executive were as follows:

Year ended 31 December 2012

Name of director	Fees HK\$'000	Basic salaries and bonus HK\$'000	Pension contribution HK\$'000	Housing and other allowances and benefits in kind	Sub-total HK\$'000	Share-based payment (Note (i)) HK\$'000	Total HK\$'000
				HK\$'000			
Executive director							
Mr. Wong Shik Ho, Tony	—	4,859	15	613	5,487	1,614	7,101
Mr. Wong Fong Pak	—	4,140	15	27	4,182	1,242	5,424
Mr. Leung Wah Kan	—	4,213	15	52	4,280	1,242	5,522
Mr. Man Wai Hung (Note ii)	—	2,138	15	—	2,153	451	2,604
Mr. Ho Nai Nap (Note ii)	—	2,175	15	—	2,190	451	2,641
Non-executive director							
Mrs. Ho Wong Mary Mee-Tak	106	—	—	—	106	—	106
Mr. Chiu Wing Yui (Note iv)	106	—	—	—	106	—	106
Mr. Ip Shing Hing (Note ii)	233	—	—	—	233	—	233
Mr. Lai Kin Jerome (Note ii)	233	—	—	—	233	—	233
Mr. Cheung Ying Sheung (Note ii)	233	—	—	—	233	—	233
	911	17,525	75	692	19,203	5,000	24,203

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13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

Year ended 31 December 2011

Name of director	Fees HK\$'000	Basic salaries and bonus HK\$'000	Pension contribution HK\$'000	Housing and	Sub-total HK\$'000	Share- based payment (Note (i)) HK\$'000	Total HK\$'000
				other allowances and benefits in kind HK\$'000			
Executive director							
Mr. Wong Shik Ho, Tony	—	3,995	12	1,120	5,127	80	5,207
Mr. Wong Fong Pak	—	2,839	12	608	3,459	61	3,520
Mr. Leung Wah Kan	—	2,912	12	651	3,575	61	3,636
Mr. Man Wai Hung (Note ii)	—	1,495	12	—	1,507	22	1,529
Mr. Ho Nai Nap (Note ii)	—	3,302	12	—	3,314	22	3,336
Non-executive director							
Mrs. Ho Wong Mary Mee-Tak	—	—	—	—	—	—	—
Mr. Chiu Wing Yui (Note ii)	—	—	—	—	—	—	—
Mr. Ip Shing Hing (Note ii)	—	—	—	—	—	—	—
Mr. Lai Kin Jerome (Note ii)	—	—	—	—	—	—	—
Mr. Cheung Ying Sheung (Note ii)	—	—	—	—	—	—	—
	—	14,543	60	2,379	16,982	246	17,228

Notes:

- (i) This represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(m).

The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 32.

- (ii) Appointed on 24 January 2011.

- (iii) The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

- (iv) Resigned as non-executive director and appointed as alternative director to Mrs. Ho Wong Mary Mee-Tak both on 1 November 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, all (2011: all) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above.

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2011: HK\$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2011: None).

The emoluments paid or payable to members of senior management were within the following bands:

	2012 No. of Individuals	2011 No. of Individuals
Nil to HK\$1,000,000	3	7
HK\$1,000,001 to HK\$1,500,000	6	3
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$3,000,000	1	—

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a profit of approximately HK\$6,697,000 (2011: a loss of approximately HK\$20,103,000), which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit/(loss) for the year:

	2012 HK\$'000	2011 HK\$'000
Amount of consolidated profit/(loss) attributable to owners of the Company dealt with in the Company's financial statements	6,697	(20,103)
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	55,442	—
Company's profit/(loss) for the year (Note 30)	62,139	(20,103)



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

15. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Dividend paid for the year	41,752	66,504
Interim dividend declared and paid — HK\$0.02 per share	8,351	—
Interim dividend in respect of the previous financial year declared (Note a & b)	—	66,504
Final dividend proposed after the end of previous reporting period (Note b)	33,401	—
	41,752	66,504

- (a) Dividend paid and payable for 2011 by the Company's subsidiary to the then shareholders prior to the reorganisation were as disclosed in the consolidated statement of changes in equity.
- (b) The rates of dividends and the number of shares ranking for the interim dividend paid in 2011 and final dividend paid in 2012 were not presented as such information is not meaningful for the purpose of the annual financial statements.
- (c) The directors of the Company proposed a final dividend of HK\$0.03 (2011: HK\$0.08) per share, totaling HK\$12,526,000 (2011: HK\$33,401,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 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 years, calculated as follows:

Earnings	2012 HK\$'000	2011 HK\$'000
Earnings for the purpose of basic and diluted earnings per share	52,254	70,213

■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

16. EARNINGS PER SHARE (CONTINUED)

Number of shares	2012	2011
Weighted average number of ordinary shares for the purpose of basic earnings per share	414,903,914	330,518,668
Effect of dilutive potential ordinary shares:		
— share options	—	138,039
Weighted average number of ordinary shares for the purpose of diluted earnings per share	414,903,914	330,656,707

The computation of diluted earnings per share for the year ended 31 December 2012 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Office and testing equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Moulds HK\$'000	Total HK\$'000
Cost:								
At 1 January 2011	1,196	42,540	311,230	47,344	1,242	2,865	783	407,200
Additions	—	3,537	36,484	4,179	10	64	—	44,274
Disposals/written off	—	(126)	(205)	(264)	(71)	—	—	(666)
Disposal of a subsidiary	—	—	(264)	(472)	(110)	(53)	—	(899)
Exchange adjustments	—	(2)	—	(2)	—	(1)	—	(5)
At 31 December 2011 and 1 January 2012	1,196	45,949	347,245	50,785	1,071	2,875	783	449,904
Additions	—	4,056	7,400	5,490	189	—	—	17,135
Other additions (Note a)	—	—	9,614	971	—	—	—	10,585
Disposals/written off	—	(12)	(2,321)	(699)	—	—	—	(3,032)
Acquisition of a subsidiary (Note 35)	—	—	—	124	—	—	—	124
Exchange adjustments	—	16	—	25	3	5	—	49
At 31 December 2012	1,196	50,009	361,938	56,696	1,263	2,880	783	474,765
Accumulated depreciation:								
At 1 January 2011	195	26,289	244,031	39,769	861	1,766	783	313,694
Depreciation	24	6,729	26,503	5,924	142	638	—	39,960
Written back on disposal/written off	—	(126)	(194)	(260)	(65)	—	—	(645)
Disposal of a subsidiary	—	—	(99)	(226)	(23)	(13)	—	(361)
Exchange adjustments	—	(1)	—	(1)	—	(1)	—	(3)
At 31 December 2011 and 1 January 2012	219	32,891	270,241	45,206	915	2,390	783	352,645
Depreciation	24	2,965	25,236	6,094	44	390	—	34,753
Written back on disposal/written off	—	(12)	(2,309)	(699)	—	—	—	(3,020)
Exchange adjustments	—	8	—	13	2	3	—	26
At 31 December 2012	243	35,852	293,168	50,614	961	2,783	783	384,404
Net book value:								
At 31 December 2012	953	14,157	68,770	6,082	302	97	—	90,361
At 31 December 2011	977	13,058	77,004	5,579	156	485	—	97,259

Notes:

- (a) Other additions represented capitalization of import tax attributable to acquisition of machinery and equipment in previous years.
- (b) The Group's leasehold land is held in Hong Kong on medium-term lease.

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18. INTANGIBLE ASSETS

	Brand name HK\$'000	Non-contractual customer lists and relationship HK\$'000	Total HK\$'000
Cost:			
At 31 December 2011 and 1 January 2012	6,196	8,640	14,836
Acquisition of a subsidiary (Note 35)	—	1,434	1,434
At 31 December 2012	6,196	10,074	16,270
Accumulated amortisation:			
At 1 January 2011	—	4,752	4,752
Amortisation	—	1,728	1,728
At 31 December 2011 and 1 January 2012	—	6,480	6,480
Amortisation	—	1,800	1,800
At 31 December 2012	—	8,280	8,280
Carrying amount:			
At 31 December 2012	6,196	1,794	7,990
At 31 December 2011	6,196	2,160	8,356

The brand name acquired through acquisition of businesses is considered by management of the Group as having indefinite useful life as there was no limit to the period the brand name would contribute to net cash inflows.

Non-contractual customer lists and relationship acquired through acquisition of businesses is amortised over their useful lives of 5 years. The amortisation expense has been included in administrative expenses in the consolidated statement of comprehensive income.

For impairment testing, brand name is allocated to the cash generating units (“CGUs”) that contribute the cash flows. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and profit margin during the year. Management estimates discount rate of 13.9% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the coming year and extrapolates cash flows for the following two years with a growth rate of 5% and subsequent six years with a steady growth rate of 2%. Profit margin is based on historical data of the CGUs.



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19. INVESTMENT IN A SUBSIDIARY

The Company

	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	528,830	528,830

Amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

20. OTHER FINANCIAL ASSETS

	2012 HK\$'000	2011 HK\$'000
Available-for-sale investments – Non-current		
Investments in unlisted securities (Note)	20,992	20,992

Note:

The available-for-sale investments represent 4.95% of equity interest in each of Federal Bonus Limited and Sapphire Global Holdings Limited as at 31 December 2012 (2011: 4.95%) respectively. Both of which are private companies incorporated in the British Virgin Islands ("BVI"). As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses.

Notes to the Consolidated Financial Statements

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21. TRADE AND OTHER RECEIVABLES

	2012 HK\$'000	2011 HK\$'000
Trade receivables	844,834	858,169
Less: Accumulated impairment losses	(8,354)	(8,805)
	836,480	849,364
Other receivables	1,392	20,231
Deposits and prepayments	14,125	20,509
Amount due from a shareholder	—	3,800
	851,997	893,904

During the year, the Group discounted part of its trade receivables to financial institutions with full recourse. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 1.57% to 2.38% (2011: 1.36% to 1.89%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts. At 31 December 2012, trade receivables of approximately HK\$65,216,000 (2011: HK\$57,959,000) continued to be recognised in the Group's financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed financing (Note 27) until the trade debts are collected or the Group settles any losses suffered by the financial institutions. At 31 December 2012, the asset-backed financing liability amounted to approximately HK\$5,114,000 (2011: HK\$12,645,000).

Because the trade debts have been legally transferred to the financial institutions, the Group did not have the authority to determine the disposition of the trade receivables.

Amount due from a shareholder was unsecured, interest free and repayable on demand.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of trade receivables (net of impairment losses) as of the end of the year is as follows:

	2012 HK\$'000	2011 HK\$'000
Within 1 month	398,743	514,133
Over 1 month but within 3 months	385,110	296,168
Over 3 months but within 1 year	50,198	33,097
Over 1 year	2,429	5,966
	836,480	849,364

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

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

	2012 HK\$'000	2011 HK\$'000
Within 1 month	230,922	197,076
Over 1 month but within 3 months	88,219	35,291
Over 3 months but within 1 year	13,181	22,055
Over 1 year	2,233	5,966
	334,555	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.

■ Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The below table reconciles the impairment loss of trade receivables for the year:

	2012 HK\$'000	2011 HK\$'000
At beginning of year	8,805	8,345
Provision of impairment loss recognised	870	471
Uncollectible amounts written off	(1,343)	—
Exchange difference	22	(11)
At end of year	8,354	8,805

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(g)(ii).

22. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 HK\$'000	2011 HK\$'000
Derivative financial assets		
Performance swap contracts (Note)	1,308	559
Derivative financial liabilities		
Interest rate swap contracts	3	54



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22. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Note:

Performance swap contracts

Notional amount	Trade dates	Contracted exchange rates	Fair value	
			2012 HK\$'000	2011 HK\$'000
US\$2,000,000	12 April 2011 to 7 March 2013 (Knocked out on 14 March 2012)	RMB5.95 to RMB6.6	—	222
US\$1,000,000	21 September 2011 to 18 September 2013 (Knocked out on 19 April 2012)	HK\$7.73 to HK\$7.85	—	337
US\$2,000,000	15 February 2012 to 14 February 2014	RMB6.45	297	—
US\$1,000,000	16 February 2012 to 22 April 2014	RMB6.38	216	—
US\$1,000,000	19 June 2012 to 17 June 2014	RMB6.44	795	—
			1,308	559

The above derivatives were measured at fair value at the end of the year. The fair values of the above derivatives were determined by reference to the quoted market data and the valuations are performed by Stirling Appraisals Limited, the qualified valuer. The change in fair value of derivative financial instruments of approximately HK\$800,000 (2011: HK\$255,000) has been recognised to the consolidated statement of comprehensive income during the year.

23. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the year:

	Accelerated tax depreciation HK\$'000	Provisions for doubtful debts and warranty HK\$'000	Total HK\$'000
At 1 January 2011	555	729	1,284
Credited to profit or loss	271	304	575
At 31 December 2011 and 1 January 2012	826	1,033	1,859
Charged to profit or loss	(17)	(80)	(97)
At 31 December 2012	809	953	1,762

Notes to the Consolidated Financial Statements

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23. DEFERRED TAX (CONTINUED)

Deferred tax asset has not been recognised for the followings:

	2012 HK\$'000	2011 HK\$'000
Deductible temporary differences	9,892	7,201
Unused tax losses	49,886	45,513
	59,778	52,714

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK\$2,509,000 (2011: HK\$2,393,000) could be carried forward indefinitely, remaining losses amounting to approximately HK\$47,377,000 (2011: HK\$43,120,000) will expire during 2013 to 2031.

24. INVENTORIES

	2012 HK\$'000	2011 HK\$'000
Raw materials	384,238	446,297
Work-in-progress	11,625	27,540
Finished goods	335,602	347,636
	731,465	821,473
Less: Provision for obsolete inventories	(33,544)	(21,978)
	697,921	799,495

25. CASH AND CASH EQUIVALENTS

	2012 HK\$'000	2011 HK\$'000
Cash at banks and in hand	602,591	717,396



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25. CASH AND CASH EQUIVALENTS (CONTINUED)

The currency analysis of cash and cash equivalents are shown as follows:

	2012 HK\$'000	2011 HK\$'000
Renminbi	108,609	24,756
Japanese Yen	4,560	2,517
Taiwan dollars	1,005	565
United States dollars	371,067	596,535
Hong Kong dollars	103,024	71,013
Others	14,326	22,010
	602,591	717,396

Renminbi is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2012 HK\$'000	2011 HK\$'000
Trade payables	553,223	939,093
Other payables and accruals	160,371	175,831
Dividend payables (Note)	—	31,296
	713,594	1,146,220

Note:

The board of directors of PC Partner Holdings Limited, a directly-held subsidiary of the Company, declared an interim dividend of HK\$66,504,000 to the owners of the Company prior to the Reorganisation. Out of which, HK\$15,648,000 and HK\$19,560,000 were paid on 1 August 2011 and 30 December 2011 respectively.

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

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26. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables as of the end of reporting period is as follows:

	2012 HK\$'000	2011 HK\$'000
Within 1 month	225,699	422,841
Over 1 month but within 3 months	291,596	401,415
Over 3 months but within 1 year	32,900	113,617
Over 1 year	3,028	1,220
	553,223	939,093

27. BORROWINGS

	2012 HK\$'000	2011 HK\$'000
Import loans — secured	767,928	718,524
Bank loans — secured	48,411	82,422
Discounted bills and factoring loans	5,200	12,691
	821,539	813,637

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

	2012 HK\$'000	2011 HK\$'000
On demand or within one year	797,374	765,224
Due after one year		
More than one year, but not exceeding two years	16,915	24,244
More than two years, but not exceeding five years	7,250	24,169
	24,165	48,413
	821,539	813,637

- (i) At 31 December 2012, the above borrowings bear interest at interest rates ranging from 1.3% per annum plus bank's cost of funds (2011: 1% per annum plus 3 months HIBOR) to 2.75% per annum plus 1 month HIBOR (2011: 2.75% per annum plus 1 month HIBOR).



Notes to the Consolidated Financial Statements

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27. BORROWINGS (CONTINUED)

- (ii) The Group's banking facilities are secured by bank deposits of HK\$310,000 (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 consolidated statement of financial position.

28. PROVISIONS

	2012 HK\$'000	2011 HK\$'000
Provision for product warranties and returns		
At beginning of year	7,894	11,216
Additional provision made	7,904	12,570
Utilised	(9,570)	(15,892)
Net movement for the year	(1,666)	(3,322)
At end of year	6,228	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 defected 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 Consolidated Financial Statements

For the year ended 31 December 2012

29. SHARE CAPITAL

	2012		2011	
	Number	HK\$'000	Number	HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of the year/on incorporation	330,518,668	33,052	3	—
Shares issued pursuant to the Reorganisation (Note a)	—	—	330,518,665	33,052
Shares issued under initial public offering (Note b)	87,000,000	8,700	—	—
At end of the year	417,518,668	41,752	330,518,668	33,052

- (a) Pursuant to the Reorganisation, the Company allotted and issued in aggregate 330,518,665 shares to the shareholders of PC Partner Holdings Limited on 21 December 2011 credited as fully paid in such proportion as shall mirror their then shareholding proportion in PC Partner Holdings Limited's shares such that the shareholding structure of PC Partner Holdings Limited is replicated at the Company level.
- (b) On 12 January 2012, 87,000,000 new ordinary shares of HK\$0.10 each were issued at a price of HK\$1.60 per share under the initial public offering. The Group raised approximately HK\$128,031,000, net of related expenses from the share offer and placing.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

Movements of the reserves of the Company are as follows:

	Share premium HK\$'000	Other reserve (Note) HK\$'000	Share- based payment reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Total HK\$'000
At 1 January 2011	—	—	—	—	—
Issuance of shares pursuant to the reorganisation	—	495,778	—	—	495,778
Equity settled share-based transactions (Note 32)	—	—	593	—	593
Loss for the year	—	—	—	(20,103)	(20,103)
At 31 December 2011 and 1 January 2012	—	495,778	593	(20,103)	476,268
Issuance of shares (Note 29)	130,500	—	—	—	130,500
Share issue expenses	(11,169)	—	—	—	(11,169)
Profit for the year	—	—	—	62,139	62,139
Dividend paid (Note 15)	—	—	—	(41,752)	(41,752)
Equity settled share-based transactions (Note 32)	—	—	11,885	—	11,885
At 31 December 2012	119,331	495,778	12,478	284	627,871

Note: Other reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation in previous year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

31. 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:

	2012 HK\$'000	2011 HK\$'000
Within one year	30,905	29,287
After one year but within five years	93,577	99,207
After five years	—	17,660
	124,482	146,154

32. SHARE-BASED PAYMENT

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 (the "Pre-IPO Share Option Scheme"). Under which, share options are granted to directors (including non-executive directors), employees and consultants to the Group (the "Grantees"). The Pre-IPO Share Option Scheme was terminated on 24 December 2011. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme is 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 Pre-IPO Share 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 Pre-IPO Share Option Scheme and their terms of issue.

As at 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares of the Company, representing 7.66% of the issued share capital of the Company immediately following the completion of the offering (as defined in the Prospectus), at an exercise price of HK\$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK\$1 to the Company on acceptance of the offer for the grant of option.

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. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 and HK\$11,885,000 (2011: HK\$593,000) has been charged to profit or loss for the year in accordance with the Group's accounting policy set out in note 4(m).



Notes to the Consolidated Financial Statements

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32. SHARE-BASED PAYMENT (CONTINUED)

Movements in the number of share options outstanding and their exercise prices are as follows:

	2012			
	Weighted average exercise price HK\$	Directors HK\$'000	Employees HK\$'000	Total HK\$'000
	Outstanding at the beginning of the year	1.46	13,290	18,700
Granted during the year	—	—	—	—
Lapsed during the year	1.46	—	(400)	(400)
Outstanding at the end of the year	1.46	13,290	18,300	31,590
Exercisable at the end of the year	—	—	—	—
	2011			
	Weighted average exercise price HK\$	Directors HK\$'000	Employees HK\$'000	Total HK\$'000
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	1.46	13,290	18,700	31,990
Outstanding at the end of the year	1.46	13,290	18,700	31,990
Exercisable at the end of the year	—	—	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

32. SHARE-BASED PAYMENT (CONTINUED)

Details of movements in number of share options granted to the directors of the Company are as follows:

Directors	2012			
	On adoption	Granted during the year	Exercised during the year	End of year
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. Man Wai Hung	1,200,000	—	—	1,200,000
Mr. Ho Nai Nap	1,200,000	—	—	1,200,000
Total	13,290,000	—	—	13,290,000

Directors	2011			
	On adoption	Granted during the year	Exercised during the year	End of year
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. Man Wai Hung	—	1,200,000	—	1,200,000
Mr. Ho Nai Nap	—	1,200,000	—	1,200,000
Total	—	13,290,000	—	13,290,000

The fair value for total share options granted to directors and employees were amounted to HK\$7,175,000 and HK\$10,095,000 respectively and was calculated using the Binomial option pricing model by Stirling Appraisals Limited. The weighted average remaining contractual life of the share option outstanding at 31 December 2012 was 3.58 years (2011: 4.58 years).



Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

32. SHARE-BASED PAYMENT (CONTINUED)

The inputs into the model were as follows:

The Group and the Company

	Employees and directors
	As at 14 December 2011
Weighted average share price	1.60
Weighted average exercise price	1.46
Expected volatility	50.16% to 50.76%
Expected life	4.079 to 5.081 years
Risk-free interest rate	0.663% to 0.839%
Early exercise behaviour	220%
Expected dividend yield	5%

The expected volatility is based on the historical volatility on publicly available information.

The risk-free interest rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.

The options were expected to be exercised when the share price of the underlying security of the options rises to 220% of the exercise price.

Share options were granted under a service condition. This condition has not been taken into account in grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

33. CAPITAL COMMITMENTS

At 31 December 2012, the Group had the following capital commitments in respect of:

	2012	2011
	HK\$'000	HK\$'000
Contracted for acquisition of property, plant and equipment but not provided	1,789	1,739

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For the year ended 31 December 2012

34. RELATED PARTY DISCLOSURES

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

	2012 HK\$'000	2011 HK\$'000
Related companies owned by directors of the Company		
— personnel support service fees and reimbursement of expenses (Note i)	—	2,490
— rent (Note ii)	670	600
Non-controlling shareholders of a subsidiary		
— rent (Note ii)	115	105
Directors of the Company		
— rent (Note ii)	115	105

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.

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

Members of key management during the year comprised the directors only whose remuneration is set out in note 13.



Notes to the Consolidated Financial Statements

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35. ACQUISITION OF A SUBSIDIARY

On 30 October 2012, the Group acquired 100% of the equity interest in Zotac Europe GmbH at a cash consideration of HK\$1,626,000.

The fair value of identifiable assets and liabilities acquired were as follows:

	Fair value HK\$'000
Property, plant and equipment	124
Intangible assets	1,434
Trade and other receivables	33
Cash and cash equivalents	37
Trade and other payables	(2)
Total consideration	1,626
Satisfied by:	
Cash consideration	1,626
Net cash outflow arising on acquisition:	
Cash consideration	1,626
Cash and cash equivalents acquired of	(37)
	1,589

The carrying amounts of net assets acquired of approximated to their fair values. During the year, Zotac Europe GmbH did not contribute any revenue to the Group and its loss is minimal. There would be no material impact on the revenue and profit of the Group if the acquisition had occurred on 1 January 2012.

The primary reason for the business combination is to develop the European market.

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For the year ended 31 December 2012

36. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 27 and the obligations under finance lease, cash and cash equivalents disclosed in note 25 and equity of the Group, comprising share capital, reserves, retained earnings and non-controlling interests disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

The gearing ratio at the end of each reporting period was as follows:

	2012 HK\$'000	2011 HK\$'000
Debts	821,597	813,712
Cash and cash equivalents	(602,591)	(717,396)
Net debts	219,006	96,316
Total equity	728,006	577,081
Net debts to equity ratio	30.1%	16.7%



Notes to the Consolidated Financial Statements

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37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Ongoing evaluations are performed on monthly basis. Receivables with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, receivables are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for certain customers.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 21.

As at 31 December 2012, approximately 11% (2011: 14%), of the Group's trade receivables were due from a major customer, whose sales accounted for more than 10% of the Group's revenue during the year.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

The Group's and the Company's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's and the Company's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause which can be exercised at the bank's sole discretion. The analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other financial liabilities are based on the agreed repayment dates.

Group	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years HK\$'000
At 31 December 2012					
Trade and other payables	713,594	713,594	713,594	—	—
Borrowings	821,539	821,539	821,539	—	—
Obligations under finance leases	58	58	15	16	27
Total	1,535,191	1,535,191	1,535,148	16	27
Derivative settled net: Interest rate swap	3	3	3	—	—
At 31 December 2011					
Trade and other payables	1,146,220	1,146,220	1,146,220	—	—
Borrowings	813,637	813,637	813,637	—	—
Obligations under finance leases	75	75	17	15	43
Total	1,959,932	1,959,932	1,959,874	15	43
Derivative settled net: Interest rate swap	54	54	54	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Company	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years HK\$'000
At 31 December 2012					
Accruals	4,959	4,959	4,959	—	—
Amount due to a subsidiary	1,824	1,824	1,824	—	—
Total	6,783	6,783	6,783	—	—
Financial guarantee issued: Maximum amount guaranteed	1,578,562	1,578,562	1,578,562	—	—
At 31 December 2011					
Accruals	14,214	14,214	14,214	—	—
Amount due to a subsidiary	18,023	18,023	18,023	—	—
Total	32,237	32,237	32,237	—	—
Financial guarantee issued: Maximum amount guaranteed (Note)	—	—	—	—	—

Note:

The corporate guarantee was executed by PC Partner Holdings Limited as at 31 December 2011.

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates.

Notes to the Consolidated Financial Statements

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Carrying amount HK\$'000	Total contractual undiscouted cash flow HK\$'000	Within one year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years HK\$'000
31 December 2012	48,411	49,474	24,737	17,285	7,452
31 December 2011	82,422	83,652	34,685	24,749	24,218

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings:

	2012 Effective interest rate (per annum)	HK\$'000	2011 Effective interest rate (per annum)	HK\$'000
Variable rate borrowings:				
Import loans	1.60%	767,928	1.90%	718,524
Bank loans	2.23%	48,411	2.16%	82,422
Discounted bills and factoring loans	1.63%	5,200	1.74%	12,691
		821,539		813,637
Fixed rate borrowings:				
Obligations under finance lease	Nil	58	Nil	75

The Group manages 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.

At 31 December 2012, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the year ended 31 December 2012 by approximately HK\$3,424,000 (2011: HK\$3,371,000) respectively.



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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2011.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi.

At 31 December 2012, the Group had performance swap contracts with a fair value of HK\$1,308,000 (2011: HK\$559,000) recognised as derivative financial instruments respectively.

The following table details the Group's exposure at 31 December 2012 and 2011 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2012 Renminbi HK\$'000	2011 Renminbi HK\$'000
Trade and other receivables	57,235	6,946
Cash and cash equivalents	100,847	1,663
Trade and other payables	(14,344)	(1,868)
Currency derivatives at notional value	31,996	33,227
Overall net exposure	175,734	39,968

The following table indicates the approximate change in the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the HK\$ strengthens against the relevant currency. For a weakening of the HK\$ against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

■ Notes to the Consolidated Financial Statements

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

	Increase in foreign exchange rates	Effect on profit after income tax HK\$'000
As at 31 December 2012		
Renminbi	5%	7,751
As at 31 December 2011		
Renminbi	5%	(3,454)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK\$ and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK\$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2011.

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial instruments

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in note 4(g):

	2012		2011	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets				
Fair value through profit and loss:				
— designated upon initial recognition	1,308	1,308	559	559
Loans and receivables	1,445,478	N/A	1,595,162	N/A
Available-for-sale financial assets	20,992	N/A	20,992	N/A
Financial liabilities				
Fair value through profit and loss:				
— designated upon initial recognition	3	3	54	54
Financial liabilities measured at amortised cost	1,513,167	N/A	1,942,273	N/A

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities, including pledged deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings, are recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

■ Notes to the Consolidated Financial Statements

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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial instruments (continued)

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
As at 31 December 2012			
Financial assets at fair value through profit or loss:			
– derivatives	–	1,308	–
Financial liabilities at fair value through profit or loss:			
– derivatives	–	3	–
As at 31 December 2011			
Financial assets at fair value through profit or loss:			
– derivatives	–	559	–
Financial liabilities at fair value through profit or loss:			
– derivatives	–	54	–

There is no transfer between Level 1 and Level 2 of the fair value hierarchy during both years.

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38. PARTICULARS OF SUBSIDIARIES

As at 31 December 2012, the particulars of the Company's principal subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
PC Partner Holdings Limited	BVI 2 May 1997	Hong Kong	US\$4,264,757	100%	—	Investment holding
Active Smart Limited	Hong Kong 15 February 1994	Hong Kong	HK\$10,000	—	100%	Trading of computer parts
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK\$10,000	—	100%	Trading of computer accessories
Double Hero Petroleum Factory Limited	Hong Kong 16 August 1994	Hong Kong	HK\$50,000	—	100%	Trading of computer parts
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK\$10,000	—	100%	Trading of computer accessories
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK\$10,000	—	100%	Trading of computer accessories and computers
PC Partner International Limited	BVI 10 July 2003	Hong Kong	US\$1	—	100%	Provision of marketing service
PC Partner Limited	Hong Kong 12 February 1988	Hong Kong	HK\$26,520,000	—	100%	Design, manufacture and sale of computer accessories and computers
Zotac International (Macao Commercial Offshore) Limited	Macau 20 September 2006	Macau	MOP100,000	—	100%	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	—	100%	Trading of computer accessories and computers
Zotac USA Inc. (Nevada)	United States of America ("USA") 9 October 2007	USA	US\$200,000	—	100%	Trading of computer accessories and computers
東莞栢能電子科技有限公司 (Note)	PRC 10 July 2009	PRC	US\$21,133,330	—	100%	Subcontracting of computer accessories and computers
東莞市天沛電子科技有限公司 (Note)	PRC 11 July 2008	PRC	RMB17,500,000	—	100%	Subcontracting of computer accessories
Zotac Europe GmbH	Germany 25 September 2012	Germany	EUR25,000	—	100%	Provision of technical support service

Note:

All subsidiaries established in the PRC are wholly foreign owned enterprises.

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2013.



Property Interests Held by the Group

Description	Group interest	Use	Tenure
Workshop Nos. 15 to 18 on 15th Floor Yale Industrial Centre Nos. 61–63 Au Pui Wan Street Shatin New Territories	100%	For workshop and ancillary office purposes	Medium-term lease