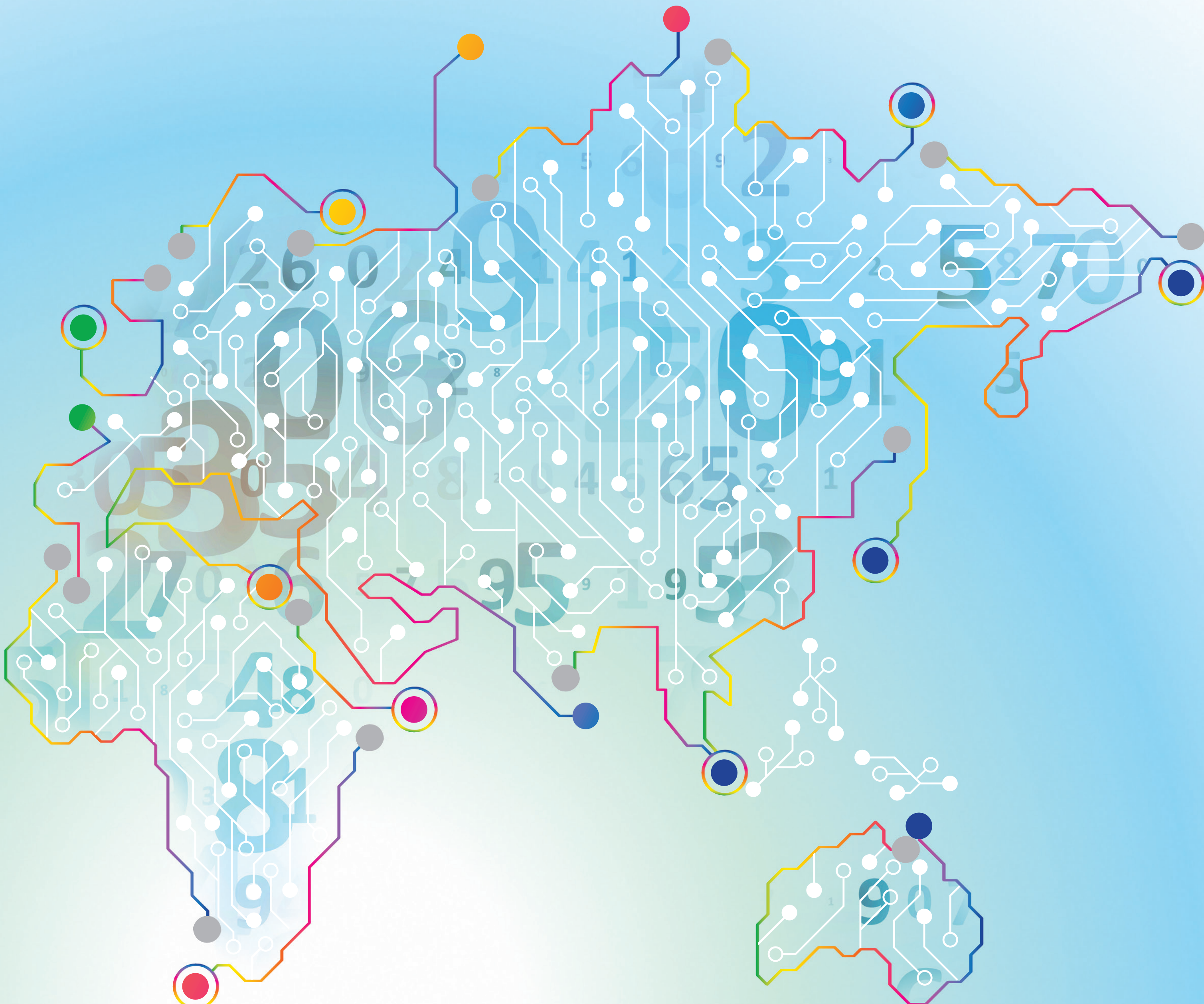
PCPartner®

HKSE: 1263

栢能集團有限公司*

PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability



Interim Report 2015

* For identification purpose only

CONTENTS

Company Profile

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

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

We are a technology company with a global vision.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

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

Troutman Sanders
34/F., Two Exchange Square
8 Connaught Place
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

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 related products and components.

The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturing ("ODM/OEM") customers and also manufactures and markets video graphics cards and other PC products 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 period under review.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for providers of Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, healthcare products, Light Emitting Diode ("LED") modules and a number of other customers. Besides the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

Business Performance

In the first half of 2015, the total revenue of the Group has declined by HK$328.1 million, or 13.6%, from HK$2,403.7 million in the first half of 2014 to HK$2,075.6 million in the first half of 2015. Such decline was mainly resulted from demands declined on video graphics cards from ODM/OEM basis customers together with less order received from EMS basis customers which was mainly attributable to the slowdown of the global economy. Video graphics cards business remained to be major contribution representing 74.9% of the Group's total sales revenue in the first half of 2015, as compared to 69.9% for the same period in last year. EMS and other PC products and components segments represented 15.3% and 9.8% of the overall sales revenue for the period under review.

The weak economy together with the strong U.S. Dollar have resulted in a significant impact to both the Asia Pacific ("APAC") region and Europe, Middle East, Africa and India ("EMEAI") region which recorded a decline on sales by HK$276.6 million and HK$29.6 million respectively. The People's Republic of China ("PRC") region has achieved a growth of HK$40.2 million from own brand video graphics cards business. North and Latin America ("NALA") region has also recorded a decline of HK$62.2 million.

APAC Region

In the APAC region, the revenue significantly decreased from HK$1,145.7 million in the first half of 2014 to HK$869.1 million in the first half of 2015. It was mainly due to a significant decline on orders of video graphics cards from the ODM/OEM basis customers.

EMEAI Region

In the EMEAI region, the revenue amounted to HK$316.8 million, representing a decrease of HK$29.6 million, or 8.5%, as compared to HK$346.4 million for the same period in last year. It was mainly due to a decline in orders from an EMS customer for POS and ATM systems.

NALA Region

In the NALA region, the revenue declined from HK$361.9 million for the first half in 2014, representing a decrease of HK$62.2 million, or 17.2%, to HK$299.7 million for the first half in 2015. The decrease was mainly resulted from declining orders from both the ODM/OEM basis customer on video graphics cards and the customers under EMS segment.

PRC Region

In the PRC region, the revenue recorded a growth to HK$589.9 million, representing an increase of HK$40.2 million, or 7.3%, as compared to HK$549.7 million for the same period in last year. It was mainly attributable to the sales increment on video graphics cards in the region in the first half of 2015.

Outlook

The slowdown of the global economy together with the strong U.S. Dollar have an adverse impact on the purchasing power in different regions and countries that resulted from demands decline on high value electronic products for the first half year in 2015. It is expected the situation will be improved in the last quarter of this year as many customers shall replenish their inventory for the holiday seasons. In addition, the operating environment of video graphics cards remain challenging with market uncertainties as it is anticipated that the volume would decline continuously on the mainstream segment but the Group expects both the performance and the enthusiast segments will continue to grow on a steady basis. The recent deprecation of Renminbi would also help to ease the cost pressure of the manufacturing arms.

Based on the latest business development status, second half remains challenging, however, the Group remains cautiously optimistic for business in the long run because more orders from EMS customer, a strong demand in the other PC related products and components segment, and a potential investment and diversification into other electronic sectors are expected. The Group will continue to leverage its core strength for further expansion of business networks through developing and promoting new products and the brand, at the same time allocate more resources in supporting research and development, improving manufacturing capabilities and building up a strong brand image.

FINANCIAL REVIEW

Revenue

During the period under review, the Group's total revenue decreased by HK$328.1 million, or 13.6%, from HK$2,403.7 million in the first half of 2014 to HK$2,075.6 million in the first half of 2015. It was mainly due to a decrease in revenue in all business segments, video graphics cards, electronic manufacturing services, and other PC related products and components.

Revenue from the video graphics cards has decreased by HK$126.2 million, or 7.5%, from HK$1,681.2 million in the first half of 2014 to HK$1,555.0 million in the first half of 2015. It was mainly due to a decline in demand on ODM/OEM contract manufacturing businesses by HK$270.6 million, or 37.6%, from HK$720.3 million in the first half of 2014 to HK$449.7 million in the first half of 2015; which has fully offset the growth on own brand business that has been increased by HK$144.4 million, or 15.0%, from HK$960.9 million in the first half of 2014 to HK$1,105.3 million in the first half of 2015.

Revenue derived from the EMS business amounted to HK$317.8 million, representing a decrease of HK$97.9 million, or 23.6%, as compared to HK$415.7 million for the same period in last year. The decline was mainly due to a decrease in orders of POS and ATM systems which recorded a decrease of HK$83.6 million, or 29.2%, from HK$286.5 million in the first half of 2014 to HK$203.0 million in the first half of 2015.

Revenue from other PC related products and components decreased by HK$104.0 million, or 33.9%, from HK$306.8 million in the first half of 2014 to HK$202.8 million in the first half of 2015. The decline was mainly due to a decrease in sales of all business segments during the period under review.

Gross Profit and Margin

The Group's gross profit was HK$172.5 million, representing a decrease of HK$41.7 million, or 19.5%, compared with HK$214.2 million in the first half of 2014. Gross profit margin decreased by 0.6 percentage point to 8.3% compared with 8.9% in the first half of 2014. It was mainly due to an increase in material cost to sales ratio by 1.2% which offset the savings from the conversion costs which consisted of labour cost, subcontracting fee, and production overheads by 0.6% for the period under review.

The increase in material cost to sales ratio was mainly resulted from an increase of the ratio on ODM/OEM basis video graphics cards business by 3.4% but has been partially offset by a decrease of the ratio on own brand video graphics cards by 2.0% as compared to the same period last year. In addition, the decline in orders from EMS business together with decrease in the other PC related products and components business segment, resulted in a further decline in the Group's gross profit for the period under review.

(Loss)/Profit for The Period

The Group recorded a loss of HK$28.0 million in the first half of 2015 as compared with a profit of HK$5.6 million for the same period in last year. It was mainly due to a significant decline in gross profit being contributed as sales decrease in high profit margin segments for the period under review. In addition, the operating expenses as a percentage on sales has been increased by 1.4 percentage point from 8.2% in the first half of 2014 to 9.6% in the first half of 2015 as operating expenses have been increased by HK$1.2 million, or 0.6%, from HK$198.3 million in the first half of 2014 to HK$199.5 million in the first half of 2015.

Selling and distribution expenses decreased by HK$8.7 million, or 17.5%, from HK$49.4 million for the six months ended 30 June 2014 to HK$40.8 million for the six months ended 30 June 2015. It was mainly due to decrease in freight and transportation expenses, commission expenses, retained fees and marketing development funds to align on sales decline during the period under review.

Administrative expenses increased by HK$10.7 million, or 7.5%, from HK$142.8 million for the six months ended 30 June 2014 to HK$153.4 million for the six months ended 30 June 2015. Staff costs represented 73.2% out of the total administrative expenses for the period under review. Staff costs has been increased by HK$9.8 million, or 9.5% from HK$102.6 million for the six months ended 30 June 2014 to HK$112.4 million for the six months ended 30 June 2015. The increment was mainly due to salary increment expenses incurred and additional staff headcounts being increased by 2.3% for the period under review. The rest of the administrative expense has been increased by HK$0.8 million, or 2.2%, from HK$40.2 million for the six months ended 30 June 2014 to HK$41.0 million for the six months ended 30 June 2015.

Finance costs decreased by HK$0.8 million or 13.3%, from HK$6.1 million for the six months ended 30 June 2014 to HK$5.3 million for the six months ended 30 June 2015. It was mainly resulted from a lower utilisation of the bank borrowings during the period under review.

Income tax expense was resulted in a gain position as a subsidiary in China reversed the over-provision for HK$0.5 million during the period under review.

Loss Attributable to Shareholders and Dividends

The loss attributable to shareholders of the Group was HK$28.0 million which resulted in a loss of HK7 cents per share. Since the Group operated in a loss position for the period under review, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds decreased by HK$47.2 million, from HK$815.8 million as at 31 December 2014 to HK$768.6 million as at 30 June 2015.

Financial Position

The Group had total current assets of HK$1,951.2 million as at 30 June 2015 and HK$2,330.0 million as at 31 December 2014. The Group's total current liabilities amounted to HK$1,243.2 million as at 30 June 2015 and HK$1,580.9 million as at 31 December 2014. The Group's current ratio, defined as total current assets over total current liabilities, improved from 1.5 as at 31 December 2014 to 1.6 as at 30 June 2015.

The Group's cash and cash equivalents decreased from HK$709.1 million as at 31 December 2014 to HK$615.4 million as at 30 June 2015. Based on the borrowings of HK$527.5 million as at 30 June 2015 and HK$703.9 million as at 31 December 2014, and the total equity of HK$768.6 million as at 30 June 2015 and HK$815.8 million as at 31 December 2014, the Group's gearing ratio (being net debts divided by total equity) decreased from a negative value of 0.6% as at 31 December 2014 to a negative value of 11.4% as at 30 June 2015. The decrease in gearing ratio was mainly resulted from lower borrowings as at 30 June 2015.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2015, the Group exposed to currency risk primarily through sales and purchase that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korea Won. The Group withstood a portion of its exchange rate risk by entering into performance swap contracts and non-deliverable foreign exchange forward contract.

Working Capital

Inventories of the Group as at 30 June 2015 was HK$741.8 million, decreased by HK$148.0 million, or 16.6%, as compared with HK$889.8 million as at 31 December 2014. Inventory turnover days increased from 72 days for the year ended 31 December 2014 to 78 days for the six months ended 30 June 2015.

Trade receivables as at 30 June 2015 were HK$551.3 million, decreased by HK$146.8 million or 21.0% as compared with HK$698.1 million as at 31 December 2014. Trade receivable turnover days decreased from 56 days for the year ended 31 December 2014 to 54 days for the six months ended 30 June 2015.

Trade payables as at 30 June 2015 was HK$544.6 million, decreased by HK$136.2 million, or 20.0%, as compared with HK$680.8 million as at 31 December 2014. Trade payable turnover days increased from 57 days for the year ended 31 December 2014 to 58 days for the six months ended 30 June 2015.

Charge on Assets

As at 30 June 2015, bank deposit of HK$0.4 million was pledged to bank to secure general banking facilities granted to the Group.

Capital Expenditure

For the six months ended 30 June 2015, the Group invested HK$3.6 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 30 June 2015, total capital commitments amounted to HK$1.4 million, and there was no material contingent liability or off balance sheet obligation.

Significant Acquisitions and Disposals of Investments

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

Future Plans for Material Investments or Capital assets

The Group had no plan for material investments or acquisitions of capital assets as at 30 June 2015, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

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$1.6 per share was HK$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK$46.0 million for expansion production capacity, HK$24.0 million for promotion and development of new products and brand name, HK$24.0 million for research and development, HK$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and HK$10.0 million for the Group's working capital and general corporate purposes. As at 30 June 2015, the Group has applied HK$18.9 million on expansion of production facilities, HK$24.0 million on promotion and development of new products and brand name, HK$21.6 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 3,189 employees (2014: 4,071 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. 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 recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long Positions in Shares

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

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

Long Positions in Share Options of the Company

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 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 (Note)	77,500,000	18.56%
Classic Venture International Inc.	Long position	Beneficial owner (Note)	54,850,000	13.14%
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%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	21,250,500	5.09%

Note: 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.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 (the "Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") under which, share options were granted to directors (including non-executive directors), employees and consultants of 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 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. As at the date of 2014 Annual Report of the Company dated 23 March 2015, the total number of shares available for issue under the Pre-IPO Share Option Scheme of the Company was 27,740,000, representing 6.64% of the shares of the Company in issue on 23 March 2015.

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 in accordance with the Group's accounting policy.

A summary of the movements of the outstanding share options during the six months ended 30 June 2015 were as follows:

Grantee	Options held as at 1 January 2015	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options held as at 30 June 2015
Directors					
Mr. WONG Shik Ho Tony	4,290,000	—	—	—	4,290,000
Mr. WONG Fong Pak	3,300,000	—	—	—	3,300,000
Mr. LEUNG Wah Kan	3,300,000	—	—	—	3,300,000
Mr. HO Nai Nap	1,200,000	—	—	—	1,200,000
Mr. MAN Wai Hung	1,200,000	—	—	—	1,200,000
Others					
Employees and consultants	15,350,000	—	(1,100,000)	—	14,250,000
Total	28,640,000	—	(1,100,000)	—	27,540,000

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 2014.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2015, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2015, 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 the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously 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 strong and balance management organisation that enables the Group to operate effectively. The Board currently comprises of five executive Directors, one non-executive Director and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015.

By order of the Board

WONG Shik Ho Tony
Chairman

Hong Kong, 28 August 2015

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Notes	**30 June 2015 HK$'000 (Unaudited)**	30 June 2014 HK$'000 (Unaudited)
Turnover	3, 4	**2,075,609**	2,403,692
Cost of sales		**(1,903,138)**	(2,189,488)
Gross profit		**172,471**	214,204
Other revenue and other gains and losses	5	**(1,226)**	(5,270)
Selling and distribution expenses		**(40,773)**	(49,422)
Administrative expenses		**(153,440)**	(142,785)
Finance costs	6	**(5,265)**	(6,076)
(Loss)/profit before income tax	7	**(28,233)**	10,651
Income tax credit/(expense)	8	**246**	(5,087)
(Loss)/profit for the period		**(27,987)**	5,564
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(477)**	607
Total comprehensive income for the period		**(28,464)**	6,171
(Loss)/earnings per share		**HK$**	HK$
— Basic and diluted	10	**(0.07)**	0.01

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Non-current assets			
Property, plant and equipment	11	**31,279**	41,160
Intangible assets		**6,561**	6,704
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,727**	1,727
Total non-current assets		**60,559**	70,583
Current assets			
Inventories		**741,807**	889,798
Trade and other receivables	12	**592,173**	729,305
Current tax recoverable		**1,417**	1,420
Pledged time deposits		**426**	427
Cash and cash equivalents		**615,405**	709,080
Total current assets		**1,951,228**	2,330,030
Total assets		**2,011,787**	2,400,613
Current liabilities			
Trade and other payables	13	**697,382**	845,434
Borrowings	14	**527,485**	703,869
Provisions	15	**5,069**	4,823
Obligations under finance leases		**16**	15
Derivative financial liabilities		**10,157**	10,327
Current tax liabilities		**3,047**	16,479
Total current liabilities		**1,243,156**	1,580,947
Net current assets		**708,072**	749,083
Total assets less current liabilities		**768,631**	819,666

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Non-current liabilities			
Obligations under finance leases		**59**	12
Derivative financial liabilities		**—**	3,830
Deferred tax liabilities		**1**	1
Total non-current liabilities		**60**	3,843
NET ASSETS		**768,571**	815,823
Capital and reserves			
Share capital	16	**41,752**	41,752
Reserves		**726,819**	774,071
TOTAL EQUITY		**768,571**	815,823

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Legal reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2014	41,752	119,331	588	6,702	21,771	1,964	15,828	573,707	781,643
Profit for the period	–	–	–	–	–	–	–	5,564	5,564
Other comprehensive income									
– exchange difference on translating foreign operations	–	–	607	–	–	–	–	–	607
Total comprehensive income	–	–	607	–	–	–	–	5,564	6,171
Dividends paid (Note 9)	–	–	–	–	–	–	–	(16,701)	(16,701)
Equity settled share-based transactions	–	–	–	–	–	–	119	–	119
At 30 June 2014 (Unaudited)	41,752	119,331	1,195	6,702	21,771	1,964	15,947	562,570	771,232
At 1 January 2015	**41,752**	**119,331**	**1**	**6,702**	**21,771**	**2,889**	**15,461**	**607,916**	**815,823**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(27,987)**	**(27,987)**
Other comprehensive income									
– exchange difference on translating foreign operations	**–**	**–**	**(477)**	**–**	**–**	**–**	**–**	**–**	**(477)**
Total comprehensive income	**–**	**–**	**(477)**	**–**	**–**	**–**	**–**	**(27,987)**	**(28,464)**
Dividends paid (Note 9)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,788)**	**(18,788)**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(594)**	**594**	**–**
Transfer to retained earnings	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**5**	**–**
At 30 June 2015 (Unaudited)	**41,752**	**119,331**	**(476)**	**6,702**	**21,771**	**2,884**	**14,867**	**561,740**	**768,571**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Net cash used in operating activities	**(80,537)**	(38,436)
Net cash used in investing activities	**(5,785)**	(3,352)
Net cash used in financing activities	**(6,853)**	(30,098)
Net decrease in cash and cash equivalents	**(93,175)**	(71,886)
Cash and cash equivalents at beginning of period	**709,080**	688,972
Effect of exchange rate changes on cash and cash equivalents	**(500)**	577
Cash and cash equivalents at end of period	**615,405**	617,663

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2015

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2014 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2015. The adoption of the new HKFRSs had no material changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

3. TURNOVER

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

4. 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.

4. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Asia Pacific ("APAC")	**869,132**	1,145,662
North and Latin America ("NALA")	**299,742**	361,910
People's Republic of China ("PRC")	**589,907**	549,747
Europe, Middle East, Africa and India ("EMEAI")	**316,828**	346,373
	2,075,609	2,403,692

(c) Revenue from major products and services

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Video graphics cards	**1,554,987**	1,681,168
Electronics manufacturing services	**317,811**	415,723
Other PC related products and components	**202,811**	306,801
	2,075,609	2,403,692

(d) Information about major customers

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Customer A (Note a)	**N/A**	276,191
Customer B (Note b)	**395,567**	N/A

4. SEGMENT REPORTING (CONTINUED)

(d) Information about major customers (continued)

Notes:

(a) Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region.

(b) Revenue from this customer was derived from sales of video graphics cards and solid state drivers in the PRC. Its revenue in 2014 did not contribute 10% or more of the Group's revenue.

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Interest income	**1,669**	1,363
Net exchange losses	**(6,469)**	(10,793)
Net fair value gains on derivative financial instruments	**180**	1,946
Gain on disposal of property, plant and equipment	**–**	220
Sundry income	**3,394**	1,994
	(1,226)	(5,270)

6. FINANCE COSTS

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	**5,265**	6,076

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Inventories recognised as expense	**1,888,743**	2,174,525
Provision for obsolete inventories	**14,395**	14,963
Cost of sales	**1,903,138**	2,189,488
Staff costs (Note a)	**161,898**	181,632
Auditor's remuneration	**635**	493
Depreciation of property, plant and equipment	**13,503**	17,124
Amortisation of intangible assets	**143**	144
Provision/(reversal of provision) for impairment losses on trade and other receivables (Note c)	**1,166**	(538)
Operating lease payments on plant and machinery	**126**	119
Operating lease payments on premises	**18,768**	16,902
Property, plant and equipment written off	**—**	1
Provision/(reversal of provision) for product warranties and returns (Note 15)	**490**	(2,293)
Research and development expenditure (Note b)	**20,090**	19,287

Notes:

(a) Staff costs consist of share-based payment of HK$Nil for the six months ended 30 June 2015 (2014: HK$119,000).

(b) The research and development expenditure for the period includes HK$20,090,000 (2014: HK$19,287,000) 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.

(c) The provision for impairment losses on trade and other receivables includes HK$1,371,000 (2014: HK$Nil) relating to the legal case with Archos SA. For details, please refer to note 21.

8. INCOME TAX (CREDIT)/EXPENSE

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Current tax — Hong Kong		
— provision for the period	**36**	3,510
Current tax — PRC		
— provision for the period	**229**	1,508
— (over)/under provision in respect of prior year	**(510)**	18
Current tax — others		
— provision for the period	**65**	16
— (over)/under provision in respect of prior year	**(66)**	35
Income tax (credit)/expense	**(246)**	5,087

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 the 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.

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the six months ended 30 June 2015. 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 2012 and the applicable PRC enterprise income tax rate is 15% (2014: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2014: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2015.

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

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(b) As at the date of this interim report, the Group has disputes with the Hong Kong Inland Revenue Department ("IRD") involving additional assessments as below:

(i) Additional tax assessment amounting to approximately HK$10,150,000 on assessable profits claimed under Contract Processing Arrangement ("CPA") with 50:50 apportionment and deduction claim of prescribed fixed assets for the year of assessment 2007/08

The IRD issued a letter on 4 March 2014 to PC Partner Limited ("PCP") requesting documentary evidence to support the payment of subcontracting charges for deduction claim and also issued a protective assessment for the year of assessment 2007/08 to PCP, demanding additional tax totalling HK$10,150,000 regarding assessable profits claimed under CPA with 50:50 apportionment and deduction claim of prescribed fixed assets. Based on the assessment of the Group's professional adviser, the directors agreed that the 50:50 apportionment should be applied from 7 September 2007 to 31 December 2007 instead of full year. The directors also agreed that the capital expenditure claimed may not qualify for prescribed fixed assets deduction, yet it should be entitled to claim depreciation allowances. By accounting for the depreciation allowances, there would be adjusted loss instead of assessable profit.

On 4 April 2014, PCP lodged an objection to the IRD applying for an unconditional holdover of tax for the year of assessment 2007/08 and also purchased tax reserve certificate for the year of assessment 2007/08 as directed by the Commissioner of the IRD pending the decision of the objection review. On 30 June 2014, PCP submitted a further objection letter to the IRD explaining the grounds in detail. On 11 March 2015, the IRD issued a letter requesting for additional information. On 10 April 2015, PCP submitted a letter to the IRD requesting for a grant of extension of time until 29 May 2015 for submitting a reply.

(ii) Additional tax assessment amounting to approximately HK$14,056,000 on assessable profits claimed under Contract Processing Arrangement ("CPA") with 50:50 apportionment and deduction claim of prescribed fixed assets for the year of assessment 2008/09

The IRD issued a letter on 11 March 2015 to PCP requesting documentary evidence to support the payment of subcontracting charges for deduction claim and also issued a protective assessment for the year of assessment 2008/09 to PCP, demanding additional tax totalling HK$14,056,000 regarding assessable profits claimed under CPA with 50:50 apportionment and deduction claim of prescribed fixed assets. The directors agreed that the capital expenditure claimed may not qualify for prescribed fixed assets deduction, yet it should be entitled to claim depreciation allowances. By accounting for the depreciation allowances, there would be significant decrease of assessable profit as assessed by the IRD.

On 10 April 2015, PCP lodged an objection to the IRD applying for an unconditional holdover of tax for the year of assessment 2008/09 and also purchased tax reserve certificate for the year of assessment 2008/09 as directed by the Commissioner of the IRD pending the decision of the objection review.

Up to the date of this interim report, the objections for the additional tax assessments for the years of assessment 2007/08 and 2008/09 are yet to be settled. Based on the assessment of the Group's professional advisers on the merits of PCP's objections, the directors consider that it is not probable that a significant outflow of resources embodying economic benefits will be required to settle the present legal obligation. As such, no provision has been made in the accounts in this regard.

9. DIVIDEND

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
2014 Final dividend paid — HK$0.045 (2014: 2013 Final dividend — HK$0.04) per share	**18,788**	16,701

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 2014.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the six months ended 30 June 2015 and 2014 is based on the (loss)/profit for the periods and assuming the shares were in issue during the current and prior periods, calculated as follows:

(Loss)/earnings

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	**(27,987)**	5,564

Number of shares

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**417,518,668**	417,518,668
Effect of dilutive potential ordinary shares:		
— share options	**—**	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**417,518,668**	417,518,668

10. (LOSS)/EARNINGS PER SHARE (CONTINUED)

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2015 and 2014 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.

11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK$3,634,000 (2014: HK$6,881,000) and write off of property, plant and equipment with net book value amounted to HK$Nil (2014: HK$1,000).

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Trade receivables	**559,603**	705,269
Less: Accumulated impairment losses	**(8,291)**	(7,130)
	551,312	698,139
Other receivables	**27,984**	15,437
Deposits and prepayments	**12,877**	15,729
	592,173	729,305

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Within 1 month	**341,817**	369,487
Over 1 month but within 3 months	**151,896**	293,507
Over 3 months but within 1 year	**55,123**	32,528
Over 1 year	**2,476**	2,617
	551,312	698,139

The credit period on sales of goods is 25 to 60 days (2014: 25 to 60 days) from the invoice date.

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Within 1 month	**77,421**	143,158
Over 1 month but within 3 months	**39,215**	36,192
Over 3 months but within 1 year	**37,703**	17,299
Over 1 year	**2,094**	2,490
	156,433	199,139

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.

13. TRADE AND OTHER PAYABLES

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Trade payables	**544,607**	680,823
Other payables and accruals	**152,775**	164,611
	697,382	845,434

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

13. TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Within 1 month	**369,806**	373,535
Over 1 month but within 3 months	**164,941**	287,621
Over 3 months but within 1 year	**6,644**	16,683
Over 1 year	**3,216**	2,984
	544,607	680,823

14. BORROWINGS

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Import loans — secured	**510,226**	679,709
Bank loans — secured	**3,625**	7,250
Discounted bills	**13,634**	16,910
	527,485	703,869

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
On demand or within 1 year	**527,485**	703,869

(i) At 30 June 2015, the above borrowings bear interest at effective interest rates ranging from 0.9% per annum over cost of funds (2014: 0.9% per annum over cost of funds) to 2.75% per annum plus 1 month HIBOR (2014: 2.75% per annum plus 1 month HIBOR).

(ii) The Group's banking facilities are secured by bank deposits of HK$426,000 (2014: HK$427,000).

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

14. BORROWINGS (CONTINUED)

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

15. PROVISIONS

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Provision for product warranties and returns		
At beginning of period/year	4,823	7,032
Additional provision/(reversal of provision) made, net	490	(1,652)
Utilised	(244)	(557)
Net movement for the period/year	246	(2,209)
At end of period/year	5,069	4,823

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

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

16. SHARE CAPITAL

	30 June 2015		31 December 2014	
	Number of shares	HK$'000 (Unaudited)	Number of shares	HK$'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	417,518,668	41,752	417,518,668	41,752

17. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

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

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Within 1 year	**35,583**	36,226
Over 1 year but within 5 years	**34,809**	51,508
	70,392	87,734

18. CAPITAL COMMITMENTS

As at 30 June 2015 and 31 December 2014, the Group had the following capital commitments in respect of:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Contracted for acquisition of property, plant and equipment but not provided	**1,450**	372

19. CONTINGENCY

At 30 June 2015, the Group had the following material contingency:

Complaint at United States International Trade Commission ("USITC") under investigation

On 21 November 2014, Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor, LLC ("Samsung") filed a complaint at USITC against NVIDIA Corporation ("NVIDIA"), and fourteen NVIDIA's customers, including the Group's wholly-owned subsidiaries Zotac USA Inc. and Zotac International (Macao Commercial Offshore) Ltd. (collectively "Respondents"), alleging that they had engaged in unfair trade practices by making for importation into the United States certain graphics processing chips and systems on a chip ("Infringing Products"). By reason of the aforesaid, Samsung requested USITC to conduct an investigation into the matter and sought an exclusion order that would bar from entry into the United States any of the Infringing Products that are imported by or on behalf of Respondents, and a cease and desist order to bar further sales of Infringing Products that have already been imported into the United States. In mid August 2015, Samsung had dropped its complaint against Zotac International (Macao Commercial Offshore) Ltd.. On 26 August 2015, USITC made an order to terminate its investigation as to Zotac International (Macao Commercial Offshore) Ltd. and to remove it from the case. Management is of the view that USITC's investigation as to Zotac USA, Inc. has no significant impact to the Group's operation, and the Group would adjust its sales strategies accordingly to cope with any potential changes thereafter.

20. RELATED PARTY DISCLOSURES

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Related companies owned by directors of the Company		
— rent	**390**	365
Director of a subsidiary		
— rent	**96**	82
Director of the Company		
— rent	**96**	82

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.

21. SUBSEQUENT EVENTS

On 14 July 2014, a writ of summons was issued by Archos SA against PC Partner Limited, a wholly owned subsidiary of the Company, alleging that PC Partner Limited is responsible for carrying out repairs works of certain computer tablets and liable for the costs thereof, and claiming costs in the aggregate amounts of approximately HK$36,400,000, together with damages and interest on the amounts claimed.

By a consent order made by the Court of First Instance dated 3 August 2015, the parties discontinued the legal proceedings in respect of the above dispute matter as the parties had reached a settlement in respect of this matter by entering into a deed of settlement on 31 July 2015.