



HKSE: 1263

栢能集團有限公司\*  
**PC Partner Group Limited**

Incorporated in the Cayman Islands with limited liability

2016

Interim Report



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## 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

## INVESTMENT COMMITTEE

Mr. WONG Shik Ho Tony *(Chairman)*  
 Mr. WONG Fong Pak  
 Mr. LEUNG Wah Kan  
 Mr. IP Shing Hing  
 Mr. LAI Kin Jerome

## 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

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

## Corporate Information

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **PRINCIPAL BANKERS**

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

### **WEBSITE**

[www.pcpartner.com](http://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 graphics processing unit 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

The business has achieved a significant rebound in the first six months of 2016, the total revenue of the Group has increased by HK\$422.9 million, or 20.4%, from HK\$2,075.6 million in the first half of 2015 to HK\$2,498.5 million in the first half of 2016. It was contributed by a growth on all product segments included video graphics cards, EMS, and other PC related products and components for the period under review. Video graphics cards business remained to be major contribution on revenue representing 73.6% of the Group’s total sales revenue in the first half of 2016, as compared to 74.9% for the same period in last year. EMS and other PC products and components segments represented 14.6% and 11.8%, respectively, of the overall sales revenue for the period under review.

All geographical regions reported a double digit growth rate in the first half of 2016 with a comparison to the same period in last year, except for Europe, Middle East, Africa and India (“EMEA”) region which has achieved a slightly lower growth rate of 9.4% due to a weak economy in European nation. The People’s Republic of China (“PRC”) region has achieved a growth rate of 38.0% which was mainly contributed from own brand video graphics cards business. North and Latin America (“NALA”) region and the Asia Pacific (“APAC”) region have also recorded growth rate of 15.3% and 14.1% respectively.

## APAC Region

In the APAC region, the revenue significantly increased by HK\$122.9 million, or 14.1%, from HK\$869.1 million in the first half of 2015 to HK\$992.0 million in the first half of 2016. It was mainly due to a significant increase on orders of video graphics cards from both the OEM basis customers and own brands products.

## Management Discussion and Analysis

### EMEA Region

In the EMEA region, the revenue amounted to HK\$346.7 million, representing an increase of HK\$29.9 million, or 9.4%, as compared to HK\$316.8 million for the same period in last year. It was mainly due to increase on orders from the customer on POS and ATM systems.

### NALA Region

In the NALA region, the revenue increased from HK\$299.7 million for the first half in 2015, representing an increase of HK\$45.8 million, or 15.3%, to HK\$345.5 million for the first half in 2016. The increase was mainly resulted from increasing orders from own brand customers on video graphics cards.

### PRC Region

In the PRC region, the revenue recorded a growth to HK\$814.3 million, representing an increase of HK\$224.4 million, or 38.0%, as compared to HK\$589.9 million for the same period in last year. It was mainly attributable to the sales increment on video graphics cards in the first half of 2016.

### Outlook

Even though the global economy continues to be unpredictable with unresolved economic and political issues, our business with a significant portion in gaming market segment has demonstrated a strong growth with new video graphics cards launching in this year.

Market research has estimated that the gaming market will approach US\$100 billion in 2016 with a compound annual growth rate of 6.6% between 2015 and 2019. This will drive a continuous demand on gaming hardware such as video graphics cards and gaming PCs. Virtual reality ("VR") in gaming market has shown a remarkable breakthrough by launching VR gaming devices successfully in this year. This creates a growth opportunity for both hardware and software companies including PC Partner who provides a variety of gaming hardware products under its own brands and on OEM/ODM basis.

With a strong turnaround to a profitable position in the first half of 2016, we will ride on the further growth of gaming market as well as a high growth rate on VR sector to expand the business. In addition, we are continuing to look into opportunities to diversify the businesses and control the operating costs in order to achieve a good and stable return to our shareholders.

## FINANCIAL REVIEW

### Revenue

During the period under review, the Group's total revenue increased by HK\$422.9 million, or 20.4%, from HK\$2,075.6 million in the first half of 2015 to HK\$2,498.5 million in the first half of 2016. It was mainly due to an increase in revenue on all business segments included video graphics cards, EMS and other PC related products and components.

## Management Discussion and Analysis

Revenue from the video graphics cards has increased by HK\$283.7 million, or 18.2%, from HK\$1,555.0 million in the first half of 2015 to HK\$1,838.7 million in the first half of 2016. It was mainly due to an increase on own brand business that has been increased by HK\$224.3 million, or 20.3%, from HK\$1,105.3 million in the first half of 2015 to HK\$1,329.6 million in the first half of 2016. In addition, the orders demand on ODM/OEM contract manufacturing businesses increased by HK\$59.4 million, or 13.2%, from HK\$449.7 million in the first half of 2015 to HK\$509.1 million in the first half of 2016.

Revenue derived from the EMS business amounted to HK\$364.6 million, representing an increase of HK\$46.8 million, or 14.7%, as compared to HK\$317.8 million for the same period in last year. The growth was mainly contributed by an increase on orders from POS and ATM systems.

Revenue from other PC related products and components increased by HK\$92.4 million, or 45.6%, from HK\$202.8 million in the first half of 2015 to HK\$295.2 million in the first half of 2016. The increase was mainly due to an increase on sales of mini-PCs during the period under review.

### Gross Profit and Margin

The Group's gross profit was HK\$232.3 million, representing a increase of HK\$59.8 million, or 34.7%, compared with HK\$172.5 million in the first half of 2015. Gross profit margin increased by 1.0 percentage point to 9.3% compared with 8.3% in the first half of 2015. It was mainly contributed by increase on sales and gross profit margin from mini-PCs under the other PC related products and components segment. In addition, savings on productivity improvement has been achieved by spending less on direct labour and conversion costs for a total of HK\$16.8 million, or 16.8% from HK\$100.6 million in the first half of 2015 to HK\$83.8 million in the first half of 2016, with a 20.4% increase on revenue during the period under review. The percentage of labour and conversion costs to sales ratio has been improved from 4.9% in the first half of 2015 to 3.4% in the first half of 2016.

### Profit/(Loss) for the Period

The Group recorded a profit of HK\$36.5 million in the first half of 2016 as compared with a loss of HK\$28.0 million for the same period in last year. It was mainly due to a significant increase in gross profit being contributed by sales increase and a better product mix with higher gross profit margin being generated for the period under review. In addition, the operating expenses were under control as it has been decreased by HK\$3.6 million, or 1.8%, from HK\$199.5 million in the first half of 2015 to HK\$195.9 million in the first half of 2016. Operating expenses as a percentage on sales revenue has been decreased by 1.8 percentage point from 9.6% in the first half of 2015 to 7.8% in the first half of 2016.

Selling and distribution expenses decreased by HK\$5.6 million, or 13.6%, from HK\$40.8 million for the six months ended 30 June 2015 to HK\$35.2 million for the six months ended 30 June 2016. It was mainly due to decrease on spending on freight and transportation expenses as well as advertising and promotion expenses during the period under review.

Administrative expenses increased by HK\$0.6 million, or 0.4%, from HK\$153.4 million for the six months ended 30 June 2015 to HK\$154.0 million for the six months ended 30 June 2016. Staff costs represented 74.5% out of the total administrative expenses for the period under review. Staff costs has been increased by HK\$2.3 million, or 2.0% from HK\$112.4 million for the six months ended 30 June 2015 to HK\$114.7 million for the six months ended 30 June 2016. The increment was mainly due to annual salary review adjustment increment expenses incurred which partially offset the savings on staff headcount reduction the period under review. The rest of the administrative expense has been decreased by HK\$1.7 million, or 4.2%, from HK\$41.0 million for the six months ended 30 June 2015 to HK\$39.3 million for the six months ended 30 June 2016.



## Management Discussion and Analysis

Finance costs increased by HK\$1.4 million or 26.9%, from HK\$5.3 million for the six months ended 30 June 2015 to HK\$6.7 million for the six months ended 30 June 2016. It was mainly resulted from a higher utilisation of the bank borrowings during the period under review.

Income tax expense was resulted due to increase in profit during the period under review.

### Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group was HK\$36.5 million which resulted in a earnings of HK9 cents per share. Since the Group operated in an earnings position for the period under review, the Directors proposed an interim dividend of HK3.5 cents per share for the six months ended 30 June 2016, which is estimated to be HK\$14.6 million in total.

## LIQUIDITY AND FINANCIAL RESOURCES

### Shareholders' Funds

Total shareholders' funds increased by HK\$36.9 million, from HK\$777.5 million as at 31 December 2015 to HK\$814.4 million as at 30 June 2016.

### Financial Position

The Group had total current assets of HK\$2,061.3 million as at 30 June 2016 and HK\$2,227.8 million as at 31 December 2015. The Group's total current liabilities amounted to HK\$1,316.1 million as at 30 June 2016 and HK\$1,528.2 million as at 31 December 2015. The Group's current ratio, defined as total current assets over total current liabilities, improved from 1.5 as at 31 December 2015 to 1.6 as at 30 June 2016.

The Group's cash and cash equivalents decreased from HK\$789.8 million as at 31 December 2015 to HK\$739.5 million as at 30 June 2016. Based on the borrowings of HK\$642.5 million as at 30 June 2016 and HK\$800.5 million as at 31 December 2015, and the total equity of HK\$814.4 million as at 30 June 2016 and HK\$777.5 million as at 31 December 2015, the Group's gearing ratio (being net debts divided by total equity) decreased from a positive value of 1.4% as at 31 December 2015 to a negative value of 11.9% as at 30 June 2016. The decrease in gearing ratio was mainly resulted from lower borrowings as at 30 June 2016.

### Exposure to Fluctuation in Exchange Rates

As at 30 June 2016, 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 managed certain of its exchange rate risk by entering into deliverable foreign exchange forward contract.

## Management Discussion and Analysis

### Working Capital

Inventories of the Group as at 30 June 2016 was HK\$709.0 million, decreased by HK\$93.2 million, or 11.6%, as compared with HK\$802.2 million as at 31 December 2015. Inventory turnover days decreased from 71 days for the year ended 31 December 2015 to 61 days for the six months ended 30 June 2016.

Trade receivables as at 30 June 2016 were HK\$594.5 million, decreased by HK\$22.0 million or 3.6% as compared with HK\$616.5 million as at 31 December 2015. Trade receivable turnover days decreased from 50 days for the year ended 31 December 2015 to 44 days for the six months ended 30 June 2016.

Trade payables as at 30 June 2016 was HK\$547.7 million, decreased by HK\$41.5 million, or 7.1%, as compared with HK\$589.2 million as at 31 December 2015. Trade payable turnover days decreased from 53 days for the year ended 31 December 2015 to 46 days for the six months ended 30 June 2016.

### Charge on Assets

As at 30 June 2016, bank deposit of HK\$0.5 million was pledged to bank to secure general banking facilities granted to the Group.

### Capital Expenditure

For the six months ended 30 June 2016, the Group invested HK\$2.9 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 2016, total capital commitments amounted to HK\$0.1 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 2016, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

## Management Discussion and Analysis

### 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 2016, the Group has applied HK\$20.6 million on expansion of production facilities, HK\$24.0 million on promotion and development of new products and brand name, HK\$24.0 million on research and development, and HK\$5.0 million on ERP system upgrade project.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 2,612 employees (2015: 2,975 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 30 June 2016, 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	2,145,000	0.51%
Mr. WONG Fong Pak	14 December 2011	1,650,000	0.40%
Mr. LEUNG Wah Kan	14 December 2011	1,650,000	0.40%
Mr. HO Nai Nap	14 December 2011	600,000	0.14%
Mr. MAN Wai Hung	14 December 2011	600,000	0.14%

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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%
Mrs. HO WONG Mary Mee-Tak	Long position	Beneficial owner	400,000	0.09%
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

#### 1. Pre-IPO 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 30 June 2016, the total number of shares available for issue under the Pre-IPO Share Option Scheme of the Company was 13,745,000, representing 3.29% of the shares of the Company in issue.

## Other Information

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 2016 were as follows:

<b>Grantee</b>	<b>Options held as at 1 January 2016</b>	<b>Options exercised during the period</b>	<b>Options lapsed during the period</b>	<b>Options cancelled during the period</b>	<b>Options held as at 30 June 2016</b>
<b>Directors</b>					
Mr. WONG Shik Ho Tony	4,290,000	—	(2,145,000)	—	2,145,000
Mr. WONG Fong Pak	3,300,000	—	(1,650,000)	—	1,650,000
Mr. LEUNG Wah Kan	3,300,000	—	(1,650,000)	—	1,650,000
Mr. HO Nai Nap	1,200,000	—	(600,000)	—	600,000
Mr. MAN Wai Hung	1,200,000	—	(600,000)	—	600,000
<b>Others</b>					
Employees and consultants	14,250,000	—	(7,150,000)	—	7,100,000
<b>Total</b>	<b>27,540,000</b>	<b>—</b>	<b>(13,795,000)</b>	<b>—</b>	<b>13,745,000</b>

## 2. 2016 Share Option Scheme

Since the termination of the Pre-IPO Share Option Scheme on 24 December 2011, no new share option scheme has been adopted by the Company. Hence, the Company adopted a 2016 Share Option Scheme on 17 June 2016. The purpose of 2016 Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their retention and contribution or potential contribution to the Group. Details of the 2016 Share Option Scheme are set out in the Company’s circular dated 1 June 2016.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.035 per share, totaling HK\$14,613,000 for the six months ended 30 June 2016 (2015: HK\$Nil) to be paid on or about 30 September 2016 (Friday) to shareholders whose names appear on the Company’s register of members on 13 September 2016 (Tuesday).

## Other Information

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 14 September 2016 (Wednesday) to 19 September 2016 (Monday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 13 September 2016 (Tuesday) for registration of the relevant transfer.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

### **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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2016, 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 2016, 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.

## Other Information

### **AUDIT COMMITTEE**

The Company established an Audit Committee on 21 December 2011 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise 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 2016.

By order of the Board

**WONG Shik Ho Tony**

*Chairman*

Hong Kong, 25 August 2016



## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Turnover	3, 4	<b>2,498,498</b>	2,075,609
Cost of sales		<b>(2,266,170)</b>	(1,903,138)
Gross profit		<b>232,328</b>	172,471
Other revenue and other gains and losses	5	<b>1,393</b>	(1,226)
Selling and distribution expenses		<b>(35,230)</b>	(40,773)
Administrative expenses		<b>(153,988)</b>	(153,440)
Finance costs	6	<b>(6,683)</b>	(5,265)
Profit/(loss) before income tax	7	<b>37,820</b>	(28,233)
Income tax (expense)/credit	8	<b>(1,367)</b>	246
<b>Profit/(loss) for the period</b>		<b>36,453</b>	(27,987)
<b>Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign operations		<b>447</b>	(477)
<b>Total comprehensive income for the period</b>		<b>36,900</b>	(28,464)
<b>Profit/(loss) for the period attributable to:</b>			
— Owners of the Company		<b>36,515</b>	(27,987)
— Non-controlling interests		<b>(62)</b>	—
		<b>36,453</b>	(27,987)
<b>Total comprehensive income for the period attributable to:</b>			
— Owners of the Company		<b>36,962</b>	(28,464)
— Non-controlling interests		<b>(62)</b>	—
		<b>36,900</b>	(28,464)
Earnings/(loss) per share	10	<b>HK\$</b>	HK\$
— Basic		<b>0.09</b>	(0.07)
— Diluted		<b>0.09</b>	(0.07)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	40,670	49,185
Intangible assets		6,274	6,417
Other financial assets		20,992	20,992
Deferred tax assets		1,452	1,452
<b>Total non-current assets</b>		<b>69,388</b>	78,046
<b>Current assets</b>			
Inventories		708,973	802,205
Trade and other receivables	12	612,131	634,027
Current tax recoverable		199	1,348
Pledged time deposits		450	426
Cash and cash equivalents		739,527	789,783
<b>Total current assets</b>		<b>2,061,280</b>	2,227,789
<b>Total assets</b>		<b>2,130,668</b>	2,305,835
<b>Current liabilities</b>			
Trade and other payables	13	660,308	712,842
Borrowings	14	642,487	800,407
Provisions	15	7,994	3,965
Obligations under finance leases		16	16
Derivative financial liabilities		—	8,245
Current tax liabilities		5,314	2,703
<b>Total current liabilities</b>		<b>1,316,119</b>	1,528,178
<b>Net current assets</b>		<b>745,161</b>	699,611
<b>Total assets less current liabilities</b>		<b>814,549</b>	777,657

## Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
<b>Non-current liabilities</b>			
Obligations under finance leases		43	51
Deferred tax liabilities		63	63
Total non-current liabilities		106	114
<b>NET ASSETS</b>			
<b>Capital and reserves</b>			
Share capital	16	41,752	41,752
Reserves		772,802	735,840
Equity attributable to owners of the Company		814,554	777,592
<b>Non-controlling interests</b>		(111)	(49)
<b>TOTAL EQUITY</b>		<b>814,443</b>	777,543

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Equity attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Merger reserve	Other reserve	Legal reserve	Share-based payment reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	41,752	119,331	1	6,702	21,771	2,889	15,461	607,916	815,823	—	815,823
Loss for the period	—	—	—	—	—	—	—	(27,987)	(27,987)	—	(27,987)
Other comprehensive income											
— exchange difference on translating foreign operations	—	—	(477)	—	—	—	—	—	(477)	—	(477)
Total comprehensive income	—	—	(477)	—	—	—	—	(27,987)	(28,464)	—	(28,464)
Dividends paid (Note 9)	—	—	—	—	—	—	—	(18,788)	(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	—	768,571
At 1 January 2016	<b>41,752</b>	<b>119,331</b>	<b>(1,219)</b>	<b>6,702</b>	<b>21,771</b>	<b>2,884</b>	<b>14,867</b>	<b>571,504</b>	<b>777,592</b>	<b>(49)</b>	<b>777,543</b>
Profit for the period	—	—	—	—	—	—	—	36,515	36,515	(62)	36,453
Other comprehensive income											
— exchange difference on translating foreign operations	—	—	447	—	—	—	—	—	447	—	447
Total comprehensive income	—	—	447	—	—	—	—	36,515	36,962	(62)	36,900
Lapse of share options	—	—	—	—	—	—	(7,223)	7,223	—	—	—
At 30 June 2016 (Unaudited)	<b>41,752</b>	<b>119,331</b>	<b>(772)</b>	<b>6,702</b>	<b>21,771</b>	<b>2,884</b>	<b>7,644</b>	<b>615,242</b>	<b>814,554</b>	<b>(111)</b>	<b>814,443</b>

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
<b>Net cash used in operating activities</b>	<b>(36,083)</b>	(80,537)
<b>Net cash used in investing activities</b>	<b>(6,311)</b>	(5,785)
<b>Net cash used in financing activities</b>	<b>(8,250)</b>	(6,853)
<b>Net decrease in cash and cash equivalents</b>	<b>(50,644)</b>	(93,175)
<b>Cash and cash equivalents at beginning of period</b>	<b>789,783</b>	709,080
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>388</b>	(500)
<b>Cash and cash equivalents at end of period</b>	<b>739,527</b>	615,405

# Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

## 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 2016 (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 2015 (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 2016. The adoption of the new HKFRSs had no material changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

## 3. TURNOVER

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

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 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.

#### (b) Geographical information

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

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Asia Pacific ("APAC")	991,999	869,132
North and Latin America ("NALA")	345,480	299,742
People's Republic of China ("PRC")	814,326	589,907
Europe, Middle East, Africa and India ("EMEAI")	346,693	316,828
	<b>2,498,498</b>	2,075,609

#### (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 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Video graphics cards	1,838,678	1,554,987
Electronics manufacturing services	364,591	317,811
Other PC related products and components	295,229	202,811
	<b>2,498,498</b>	2,075,609

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 4. SEGMENT REPORTING (CONTINUED)

#### (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 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Customer A (Note a)	<b>534,036</b>	395,567
Customer B (Note b)	<b>286,406</b>	N/A

Notes:

- (a) Revenue from this customer was derived from sales of video graphics cards and solid state drivers in the PRC.
- (b) Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue in 2015 did not contribute 10% or more of the Group's revenue.

### 5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Interest income	<b>2,153</b>	1,669
Net exchange losses	<b>(3,930)</b>	(6,469)
Net fair value gains on derivative financial instruments	<b>1,172</b>	180
Loss on disposal of property, plant and equipment	<b>(226)</b>	—
Sundry income	<b>2,224</b>	3,394
	<b>1,393</b>	(1,226)



## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 6. FINANCE COSTS

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	<b>6,683</b>	5,265

### 7. PROFIT/(LOSS) BEFORE INCOME TAX

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

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Inventories recognised as expense	<b>2,251,447</b>	1,888,743
Provision for obsolete inventories	<b>14,723</b>	14,395
Cost of sales	<b>2,266,170</b>	1,903,138
Staff costs	<b>154,406</b>	161,898
Auditor's remuneration	<b>466</b>	635
Depreciation of property, plant and equipment	<b>9,723</b>	13,503
Amortisation of intangible assets (Note a)	<b>143</b>	143
Provision for impairment losses on trade and other receivables, net (Note b)	<b>900</b>	1,166
Operating lease payments on plant and machinery	<b>88</b>	126
Operating lease payments on premises	<b>17,869</b>	18,768
Provision for product warranties and returns, net	<b>9,638</b>	490
Research and development expenditure (Note c)	<b>20,993</b>	20,090

Notes:

- (a) Amortisation of intangible assets of HK\$143,000 is included in "administrative expenses" in the condensed consolidated statement of comprehensive income.
- (b) The provision for impairment losses on trade and other receivables includes HK\$Nil (2015: HK\$1,371,000) relating to the legal case with a customer, Archos SA.
- (c) The research and development expenditure for the period includes HK\$20,993,000 (2015: HK\$20,090,000) 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.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

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

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

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Current tax — Hong Kong		
— provision for the period	2,707	36
— over provision in respect of prior year	(1,633)	—
Current tax — PRC		
— provision for the period	255	229
— Under/(over) provision in respect of prior year	19	(510)
Current tax — others		
— provision for the period	36	65
— over provision in respect of prior year	(17)	(66)
Income tax expense/(credit)	1,367	(246)

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% (2015: 16.5%) on the estimated assessable profits for the six months ended 30 June 2016. 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% (2015: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2015: 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 2016.

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

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 9. DIVIDEND

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
2015 final dividend paid — HK\$Nil (2015: 2014 final dividend paid — HK\$0.045) per share	—	18,788

The directors proposed an interim dividend of HK\$0.035 (2015: HK\$Nil) per share, totalling HK\$14,613,000 (2015: HK\$Nil) for the six months ended 30 June 2016. The proposed dividends are not reflected as a dividend payable in these condensed consolidated financial statements.

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

The calculation of the basic and diluted earnings/(loss) per share for the six months ended 30 June 2016 and 2015 is based on the profit/(loss) for the periods and assuming the shares were in issue during the current and prior periods, calculated as follows:

#### Earnings/(loss)

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	<b>36,515</b>	(27,987)

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

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

#### Number of shares

	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>417,518,668</b>	417,518,668
Effect of dilutive potential ordinary shares: – share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<b>417,518,668</b>	417,518,668

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2016 and 2015 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 of 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\$2,919,000 (2015: HK\$3,634,000) and no write off of property, plant and equipment (2015: HK\$Nil).

### 12. TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Trade receivables	<b>601,993</b>	623,171
Less: Accumulated impairment losses	<b>(7,494)</b>	(6,594)
	<b>594,499</b>	616,577
Other receivables	<b>7,381</b>	4,300
Deposits and prepayments	<b>10,251</b>	13,150
	<b>612,131</b>	634,027

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Within 1 month	424,983	411,767
Over 1 month but within 3 months	144,297	153,345
Over 3 months but within 1 year	23,744	31,439
Over 1 year	1,475	20,026
	<b>594,499</b>	616,577

The credit period on sales of goods is 30 to 60 days (2015: 25 to 60 days) from the invoice date. The ageing of trade receivables which are past due but not impaired are as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Within 1 month	113,681	101,193
Over 1 month but within 3 months	28,060	26,419
Over 3 months but within 1 year	8,935	19,776
Over 1 year	1,272	19,785
	<b>151,948</b>	167,173

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.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 13. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Trade payables	547,681	589,244
Other payables and accruals	112,627	123,598
	<b>660,308</b>	712,842

All trade payables and other payables and accruals are due to be settled within twelve months. The ageing analysis of trade payables as of the end of reporting period is as follows:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Within 1 month	390,287	395,437
Over 1 month but within 3 months	143,993	180,743
Over 3 months but within 1 year	10,186	9,499
Over 1 year	3,215	3,565
	<b>547,681</b>	589,244

### 14. BORROWINGS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Import loans — secured	636,457	786,136
Discounted bills	6,030	14,271
	<b>642,487</b>	800,407

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 14. BORROWINGS (CONTINUED)

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
On demand or within 1 year	642,487	800,407

- (i) At 30 June 2016, the above borrowings bear interest at effective interest rates ranging from 1% per annum over cost of funds (2015: 1% per annum over cost of funds) to 1.2% per annum plus 3 months LIBOR (2015: 1.2% per annum plus 3 months SIBOR).
- (ii) The Group's banking facilities are secured by bank deposits of HK\$450,000 (2015: HK\$426,000).
- (iii) The discounted bills are secured by the Group's trade receivables in the same amount.
- (iv) The banks have overriding right of repayment on demand for all bank loans irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Therefore, the bank loans were entirely classified as current liabilities in the condensed consolidated statement of financial position.

### 15. PROVISIONS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
<b>Provision for product warranties and returns</b>		
At beginning of period/year	3,965	4,823
Additional provision, net	9,638	1,727
Utilised	(5,609)	(2,585)
Net movement for the period/year	4,029	(858)
At end of period/year	7,994	3,965

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 15. PROVISIONS (CONTINUED)

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 2016		31 December 2015	
	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 2016	31 December 2015
	HK\$'000 (Unaudited)	HK\$'000
Within 1 year	30,368	32,017
Over 1 year but within 5 years	13,554	20,533
	43,922	52,550



## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2016

### 18. CAPITAL COMMITMENTS

As at 30 June 2016 and 31 December 2015, the Group had the following capital commitments in respect of:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Contracted for acquisition of property, plant and equipment but not provided	90	83

### 19. RELATED PARTY DISCLOSURES

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

	30 June 2016 HK\$'000 (Unaudited)	30 June 2015 HK\$'000 (Unaudited)
Related companies owned by directors of the Company — rent	390	390
Director of a subsidiary — rent	96	96
Director of the Company — rent	96	96

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.