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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
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Hong Kong

REGISTERED OFFICE

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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 Equipment Manufacturer/Original Design Manufacturing (“OEM/ODM”) customers and also manufactures and market video graphics cards and other PC products under its own brands, namely ZOTAC, Inno3D, and Manli. The relationships with NVIDIA and AMD, the two globally dominant graphic processing unit (“GPU”) suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remain the core business of the Group for the period under review.

The Group provides EMS to globally recognized brands, including major providers of Automatic Teller Machines (“ATM”) and Point-Of-Sales (“POS”) systems, storage devices, wearable fitness devices, etc. Aside from video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products such as mini-PCs, motherboards, and further derives revenue from trading products and components.

Business Performance

In the first half of 2017, the total revenue has achieved a double-digit growth of 18.9% and increased by HK\$473.3 million, from HK\$2,498.5 million in the first half of 2016 to HK\$2,971.8 million in the first half of 2017. The increase was mainly contributed by a growth of the brand businesses of HK\$326.8 million, or 22.4%, from HK\$1,458.5 million in the first half of 2016 to HK\$1,785.3 million in the first half of 2017. OEM/ODM based orders have increased by HK\$146.5 million or 14.1%, from HK\$1,040.0 million in the first half of 2016 to HK\$1,186.5 million in the first half of 2017.

Video graphics cards business has achieved a growth of HK\$526.4 million, or 28.6%, from HK\$1,838.7 million in the first half of 2016 to HK\$2,365.1 million in the first half of 2017. Orders on OEM/ODM basis video graphics cards business increased by HK\$179.4 million or 35.2%, from HK\$509.1 million in the first half of 2016 to HK\$688.5 million in the first half of 2017. Own brand video graphics cards business increased by HK\$347.0 million, or 26.1%, from HK\$1,329.6 million in the first half of 2016 to HK\$1,676.6 million in the first half of 2017.

EMS business recorded a decline of HK\$101.0 million, or 27.7%, from HK\$364.6 million in the first half of 2016 to HK\$263.6 million in the first half of 2017. Other PC related products and components business has achieved a growth of HK\$47.9 million, or 16.2%, from HK\$295.2 million in the first half of 2016 to HK\$343.1 million in the first half of 2017.

Brand businesses have grown faster than OEM/ODM basis businesses over the past few years, and this trend is sustained for the first half of 2017. The brand businesses achieved a growth of HK\$326.8 million, or 22.4%, from HK\$1,458.5 million in the first half of 2016 to HK\$1,785.3 million in the first half of 2017. The brand businesses represented 60.1% of the overall group revenue in the first half of 2017; in which, ZOTAC, the core brand of the Group, contributed HK\$1,464.5 million which represented 82.0% of the sales of overall brand businesses, accounting for 49.3% of the total group revenue in the first half of 2017.

All geographical regions reported a double digit year-on-year growth in the first half of 2017, except for People’s Republic of China (“PRC”) region which realized a slightly lower growth rate of 7.5%. Europe, Middle East, Africa and India (“EMEA”) region has achieved a growth rate of 34.7% which was mainly contributed by the own brand video graphics cards business. The Asia Pacific (“APAC”) region and the North and Latin America (“NALA”) region, have also recorded a growth rate of 24.9% and 12.9% respectively.

APAC Region

In the APAC region, the revenue significantly increased by HK\$247.3 million, or 24.9%, from HK\$992.0 million in the first half of 2016 to HK\$1,239.3 million in the first half of 2017. It was mainly due to a significant increase of video graphic cards orders from both OEM/ODM basis customers and own brands products.

EMEI Region

In the EMEI region, the revenue amounted to HK\$466.9 million in the first half of 2017, representing an increase of HK\$120.2 million, or 34.7%, as compared to HK\$346.7 million in the first half of 2016. It was mainly due to the increase in sales of brand businesses of video graphics cards.

NALA Region

In the NALA region, the revenue significantly increased from HK\$345.5 million in the first half of 2016, representing an increase of HK\$44.7 million, or 12.9%, to HK\$390.2 million in the first half of 2017. The increase was mainly resulted from increasing sales from own brands products.

PRC Region

In the PRC region, the revenue recorded a growth to HK\$875.4 million in the first half of 2017, representing an increase of HK\$61.1 million, or 7.5%, as compared to HK\$814.3 million in the first half of 2016. It was mainly attributable to the sales increment on video graphics cards in the first half of 2017. The brand business in the PRC region, especially ZOTAC, has been growing year-on-year since 2013 which due to a stronger brand awareness.

Business Compliance

The Group has achieved an on-going compliance with laws and regulations with its operating entities, and fulfilled different social responsibilities according to ISO9001, ISO14001, OHSAS18001, QC080000 and the code issued by Electronic Industry Citizenship Coalition ("EICC").

Principal Risks and Uncertainties

The Group has operated in a fast moving and highly competitive environment and the product life cycle turns to be shortened over the years. New products introduction requires significant resources involvement from development, production as well as sales and marketing. The Group will be at risk and may lag behind the competition if it cannot response promptly to the changing business environment. Technological change may impose a significant negative impact on the business if the Group is unable to acquire new technologies and apply onto the business. Talent is a key factor for companies' success especially technology and engineering talents are critical for the Group as a technology company. Lack of capable talents on development of new applications and technologies is a risk to the Group on long term survival. The Group would continue to review the human resources and look for capable talents to join the Group in order to stay ahead of technology and launch new products more efficiently against competition.

Business relationship with customers and suppliers are crucial for business success. The Group has established a long business partnership with both AMD and NVIDIA for 20 years and 10 years respectively. The Group rides on the technologies from both AMD and NVIDIA to develop own products and gain the know-how of the video graphics cards in order to obtain orders on contract manufacturing business of video graphics cards. Discontinue of the business partnership would be a threat to the survival of the business in long run. The Group would continue to maintain a good relationship with partners, customers and suppliers and also look for new cooperation opportunities in the industry.

The Group is not aware of any particular of important event that have been occurred would trigger a risk and uncertainty since the period ended 30 June 2017.

Outlook

On top of the organic growth for the demand of video graphics cards from the gaming market, an unexpected demand on video graphics cards from crypto-currency mining business has driven up the market inventory by the end of second quarter this year. It is expected that the shortage situation will be improved by late third or fourth quarter of the year. The Group is surely being benefited with the sudden growth of crypto-currency mining business and additional usage of gaming type of video graphics cards to enlarge the customer base in long run. In addition, it is expected that a new series of video graphics cards launching by either first or second quarter in 2018 will further strengthen the business growth of the video graphics cards segment.

The Group will continue to devote more resources onto ZOTAC brand and develop more new product lines into the brand including gaming computers and peripherals in order to increase revenue and to manage the profit margin in a better fashion. E-Sports will continue to be a major marketing and promotion vehicle for ZOTAC for upcoming few years in order to ensure ZOTAC to be a well-known gaming brand in the world. Due to the new conceptual computer products on virtual reality (VR) launched in 2016, the brand has been recognized as one of the pioneer hardware companies which brings in lots of business opportunities in the VR market sector. There are many VR applications and contents still under development by our customers, it is expected to have a significant growth on hardware that support such VR applications once such VR contents and software are ready to launch and being widely accepted by the market. The Group has recently started to work on artificial intelligence (AI) development and target to be able to come up with solutions later on this year or early next year. This is expected to be another major milestone for the Group to reach out a different business segment in long run.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by HK\$473.3 million, or 18.9%, from HK\$2,498.5 million in the first half of 2016 to HK\$2,971.8 million in the first half of 2017. It was mainly due to an increase in revenue of both business segments, video graphics cards and other PC related products and components, that offset the decline of the EMS business. The own brand businesses with a growth rate at 22.4% has demonstrated a faster growth rate than the OEM/ODM basis business lines with a growth rate at 14.1% for the first half of 2017 compared with the same period in last year.

Revenue from the video graphics cards business has increased by HK\$526.4 million, or 28.6%, from HK\$1,838.7 million in the first half of 2016 to HK\$2,365.1 million in the first half of 2017. It was mainly due to an increase on own brand business that has been increased by HK\$347.0 million, or 26.1%, from HK\$1,329.6 million in the first half of 2016 to HK\$1,676.6 million in the first half of 2017. Orders demand on ODM/OEM contract manufacturing businesses increased by HK\$179.4 million, or 35.2%, from HK\$509.1 million in the first half of 2016 to HK\$688.5 million in the first half of 2017. Beside the demand of video graphics cards from an organic growth of the gaming market, a certain portion of the growth was due to a strong demand of video graphics cards for crypto-currency mining applications.

Revenue derived from the EMS business amounted to HK\$263.6 million in the first half of 2017, representing a decrease of HK\$101.0 million, or 27.7%, as compared to HK\$364.6 million in the first half of 2016. The change was mainly resulted from less orders from existing customers and orders from new customers were not been able to recover the orders being reduced by existing customers. Revenue from other PC related products and components business increased by HK\$47.9 million, or 16.2%, from HK\$295.2 million in the first half of 2016 to HK\$343.1 million in the first half of 2017. The growth was mainly contributed by the increase on component trading which offset the decrease in revenue generated from mini-PC project business in the first half of 2017.

Gross Profit and Margin

The Group's gross profit in the first half of 2017 was HK\$245.9 million, representing an increase of HK\$13.6 million, or 5.8%, compared with HK\$232.3 million in the first half of 2016. Gross profit margin decreased by 1.0 percentage point to 8.3% compared with 9.3% in the first half of 2016. It was mainly due to a change on product mix with a decrease on sales from mini-PCs with higher gross profit margin under the other PC related products and components segment. In addition, own brands video graphics cards have experienced a lower margin in the first quarter of 2017 due to a strong price competition for the first quarter of 2017 due to excessive inventory being built up by end of December 2016. However, the situation has been improved in the second quarter once the excessive inventory in the market has been consumed and faced a shortage in the market after bulk purchase from crypto-currency mining companies.

The Group has spent more on direct labour and conversion costs for a total of HK\$3.9 million, or 4.7% from HK\$83.8 million in the first half of 2016 to HK\$87.7 million in the first half of 2017, despite a 18.9% increase on revenue during the first half of 2017. The percentage of labour and conversion costs to revenue as a ratio has actually been improved from 3.4% in the first half of 2016 to 3.0% in the first half of 2017.

Profit for the Period

The Group recorded a profit of HK\$43.7 million in the first half of 2017 as compared with a profit of HK\$36.5 million in the first half of 2016. It was mainly due to a significant increase in gross profit being contributed by sales increase for the first half of 2017. The operating expenses increased by HK\$15.5 million, or 7.9%, from HK\$195.9 million in the first half of 2016 to HK\$211.4 million in the first half of 2017. Operating expenses as a percentage of revenue has decreased by 0.7 percentage point from 7.8% in the first half of 2016 to 7.1% in the first half of 2017.

Selling and distribution expenses increased by HK\$9.8 million, or 27.7%, from HK\$35.2 million in the first half of 2016 to HK\$45.0 million in the first half of 2017. The expenses as a percentage of revenue has increased by 0.1 percentage point from 1.4% in the first half of 2016 to 1.5% in the first half of 2017. The increment of the selling and distribution expenses was mainly associated with sales increase for the first half of 2017 as well as additional spending on exhibition costs and e-Sports activities being organized by ZOTAC brand.

Administrative expenses increased by HK\$2.3 million or 1.5% from HK\$154.0 million in the first half of 2016 to HK\$156.3 million in the first half of 2017; staff costs represented 73.5% out of the total administrative expenses for the first half of the year under review. Staff costs has decreased by HK\$0.8 million, or 0.7%, from HK\$115.7 million in the first half of 2016 to HK\$114.9 million in the first half of 2017.

Finance costs increased by HK\$3.4 million, or 51.5%, from HK\$6.7 million in the first half of 2016 to HK\$10.1 million in the first half of 2017. It was mainly resulted from increase on interest rates and a higher utilisation of the bank borrowings during the period. Finance costs as a percentage of revenue has increased from 0.27% in the first half of 2016 to 0.34% in the first half of 2017.

Income tax expenses increased due to increase in profit during the first half of the year under review.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Company for the first half of 2017 was HK\$43.7 million which resulted in an earnings of HK10 cents per share. Since the Group operated in an earnings position in the first half of 2017, the Directors proposed an interim dividend of HK4 cents per share for the period ended 30 June 2017, which is estimated to be HK\$17.5 million in total. The Group would maintain the dividend payout policy at 30% to 40% on earned profit of the year.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds have decreased by HK\$7.0 million, or 0.7%, from HK\$933.4 million as at 31 December 2016 to HK\$926.4 million as at 30 June 2017.

Financial Position

The Group had total current assets of HK\$3,176.6 million as at 30 June 2017 and HK\$2,820.0 million as at 31 December 2016. The Group's total current liabilities amounted to HK\$2,331.3 million as at 30 June 2017 and HK\$1,971.5 million as at 31 December 2016. The Group's current ratio, defined as total current assets over total current liabilities, remain at 1.4 as at 31 December 2016 and 30 June 2017.

The Group's cash and bank balances increased from HK\$789.8 million as at 31 December 2016 to HK\$979.7 million as at 30 June 2017. Based on the borrowings of HK\$1,124.1 million as at 30 June 2017 and HK\$987.6 million as at 31 December 2016, and total equity of HK\$926.1 million as at 30 June 2017 and HK\$933.2 million as at 31 December 2016, the Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) decreased from 21.2% as at 31 December 2016 to 15.6% as at 30 June 2017. The decrease was mainly due to an increase in cash and cash equivalents arising from the increase in deposits received from customers as at 30 June 2017. Approximately HK\$206.7 million of the Group's cash and bank balances came from deposit from customers on video graphics cards, majority of the remaining cash and bank balances reserved to settle the procurement of components being purchased to fulfill the backlog orders.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2017, the Group was exposed to currency risk primarily through sales and purchases 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 Korean Won. The Group did not enter into any foreign exchange forward contract during the period.

Working Capital

Inventories of the Group as at 30 June 2017 were HK\$1,270.1 million, decreased by HK\$11.4 million, or 0.9%, as compared with HK\$1,281.5 million as at 31 December 2016. The inventory turnover days increased from 73 days as at 31 December 2016 to 85 days as at 30 June 2017. The high level of inventories as at 30 June 2017 was mainly kept for fulfilling backlog orders in the coming few months.

Trade receivables as at 30 June 2017 were HK\$897.5 million, increased by HK\$172.9 million, or 23.9%, as compared with HK\$724.6 million as at 31 December 2016. Increase on trade receivables was in-line with sales increase for the period. Trade receivable turnover days increased from 42 days as at 31 December 2016 to 49 days as at 30 June 2017.

Trade payables as at 30 June 2017 was HK\$871.9 million, increased by HK\$43.8 million, or 5.3%, as compared with HK\$828.1 million as at 31 December 2016. Trade payable turnover days increased from 49 days as at 31 December 2016 to 56 days as at 30 June 2017.

Charge on Assets

As at 30 June 2017, bank deposit of HK\$0.5 million was pledged to banks to secure general banking facilities granted to the Group.

Capital Expenditure

The Group spent HK\$3.4 million on capital expenditure in the first half of 2017. 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 2017, total capital commitments amounted to HK\$3.7 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 and there was no acquisition of additional interests in subsidiaries or disposal of subsidiary.

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 2017, 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 offer 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 2017, the Group has applied HK\$41.0 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, HK\$5.0 million on ERP system upgrade project, and HK\$10.0 million for the Group's working capital and general corporate purposes.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 3,376 employees (2016: 2,889 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 employees. The Company has 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. Subsequently, the Company has also adopted 2016 Share Option Scheme on 17 June 2016.

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	Interest in controlled corporations (Note)	131,848,000	30.13%
Mr. WONG Shik Ho Tony	Beneficial owner	54,305,750	12.51%
Mr. WONG Fong Pak	Beneficial owner	28,165,750	6.45%
Mr. LEUNG Wah Kan	Beneficial owner	23,500,500	5.37%
Mr. HO Nai Nap	Beneficial owner	21,184,538	4.85%
Mr. MAN Wai Hung	Beneficial owner	4,977,065	1.13%

Note: These 131,848,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 76,998,000 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 131,848,000 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	26 August 2016	600,000	0.14%
Mr. WONG Fong Pak	26 August 2016	600,000	0.14%
Mr. LEUNG Wah Kan	26 August 2016	600,000	0.14%
Mr. HO Nai Nap	26 August 2016	600,000	0.14%
Mr. MAN Wai Hung	26 August 2016	600,000	0.14%

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)	76,998,000	17.59%
Classic Venture International Inc.	Long position	Beneficial owner (Note)	54,850,000	12.54%
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	54,305,750	12.51%
Mr. WONG Fong Pak	Long position	Beneficial owner	28,165,750	6.45%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	23,500,500	5.37%

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 131,848,000 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 Company's prospectus dated 29 December 2011), at an exercise price of HK\$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK\$1 to the Company on acceptance of the offer for the grant of option.

Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 (the “Listing Date”) of the Company and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 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 2017 were as follows:

Grantee	Options held as at 1 January 2017	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options held as at 30 June 2017
Directors					
Mr. WONG Shik Ho Tony	—	—	—	—	—
Mr. WONG Fong Pak	—	—	—	—	—
Mr. LEUNG Wah Kan	—	—	—	—	—
Mr. HO Nai Nap	—	—	—	—	—
Mr. MAN Wai Hung	—	—	—	—	—
Others					
Employees and consultants	1,870,000	—	(1,870,000)	—	—
Total	1,870,000	—	(1,870,000)	—	—

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.

Other Information

A summary of the movements of the outstanding share options during the six months ended 30 June 2017 were as follows:

Grantee	Options held as at 1 January 2017	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options held as at 30 June 2017
Directors					
Mr. WONG Shik Ho Tony	1,200,000	(600,000)	—	—	600,000
Mr. WONG Fong Pak	1,200,000	(600,000)	—	—	600,000
Mr. LEUNG Wah Kan	1,200,000	(600,000)	—	—	600,000
Mr. HO Nai Nap	1,200,000	(600,000)	—	—	600,000
Mr. MAN Wai Hung	1,200,000	(600,000)	—	—	600,000
Others					
Employees and consultants	12,000,000	(5,175,000)	(600,000)	—	6,225,000
Total	18,000,000	(8,175,000)	(600,000)	—	9,225,000

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.04 per share, totaling HK\$17,503,000 for the six months ended 30 June 2017 (2016: HK\$0.035 per share, totaling HK\$14,613,000) to be paid on or about 25 September 2017 (Monday) to shareholders whose names appear on the Company's register of members on 14 September 2017 (Thursday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2017 (Tuesday) to 14 September 2017 (Thursday) (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 11 September 2017 (Monday) 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 2017.

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 2017, 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 2017, 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, internal control system and risk management 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 2017.

By order of the Board

WONG Shik Ho Tony
Chairman

Hong Kong, 28 August 2017

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Revenue	3, 4	2,971,767	2,498,498
Cost of sales		(2,725,899)	(2,266,170)
Gross profit		245,868	232,328
Other revenue and other gains and losses	5	10,916	1,393
Selling and distribution expenses		(45,001)	(35,230)
Administrative expenses		(156,289)	(153,988)
Finance costs	6	(10,125)	(6,683)
Profit before income tax	7	45,369	37,820
Income tax expense	8	(1,704)	(1,367)
Profit for the period		43,665	36,453
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		1,013	447
Total comprehensive income for the period		44,678	36,900
Profit for the period attributable to:			
— Owners of the Company		43,720	36,515
— Non-controlling interests		(55)	(62)
		43,665	36,453
Total comprehensive income for the period attributable to:			
— Owners of the Company		44,733	36,962
— Non-controlling interests		(55)	(62)
		44,678	36,900
Earnings per share	10	HK\$	HK\$
— Basic		0.10	0.09
— Diluted		0.10	0.09

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Non-current assets			
Property, plant and equipment	11	51,481	55,315
Intangible assets		5,987	6,130
Other financial assets		20,992	20,992
Deferred tax assets		2,414	2,414
Total non-current assets		80,874	84,851
Current assets			
Inventories		1,270,057	1,281,467
Trade and other receivables	12	926,335	748,177
Current tax recoverable		64	22
Pledged time deposits		453	450
Cash and cash equivalents		979,738	789,839
Total current assets		3,176,647	2,819,955
Total assets		3,257,521	2,904,806
Current liabilities			
Trade and other payables	13	1,191,104	961,437
Borrowings	14	1,124,022	987,555
Provisions	15	7,435	12,883
Obligations under finance leases		16	16
Current tax liabilities		8,730	9,646
Total current liabilities		2,331,307	1,971,537
Net current assets		845,340	848,418
Total assets less current liabilities		926,214	933,269

Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Non-current liabilities			
Obligations under finance leases		27	35
Deferred tax liabilities		40	40
Total non-current liabilities		67	75
NET ASSETS		926,147	933,194
Capital and reserves			
Share capital	16	43,757	42,939
Reserves		882,621	890,431
Equity attributable to owners of the Company		926,378	933,370
Non-controlling interests		(231)	(176)
TOTAL EQUITY		926,147	933,194

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 2016	41,752	119,331	(1,219)	6,702	21,771	2,884	14,867	571,504	777,592	(49)	777,543
Profit/(loss) 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)	41,752	119,331	(772)	6,702	21,771	2,884	7,644	615,242	814,554	(111)	814,443
At 1 January 2017	42,939	142,086	(1,418)	6,702	21,771	2,824	4,103	714,363	933,370	(176)	933,194
Profit/(loss) for the period	–	–	–	–	–	–	–	43,720	43,720	(55)	43,665
Other comprehensive income											
– exchange difference on translating foreign operations	–	–	1,013	–	–	–	–	–	1,013	–	1,013
Total comprehensive income	–	–	1,013	–	–	–	–	43,720	44,733	(55)	44,678
Share issued under share option scheme	818	10,756	–	–	–	–	(2,664)	–	8,910	–	8,910
Dividends paid (Note 9)	–	–	–	–	–	–	–	(62,945)	(62,945)	–	(62,945)
Equity settled share-based transactions	–	–	–	–	–	–	2,310	–	2,310	–	2,310
Lapse of share options	–	–	–	–	–	–	(1,142)	1,142	–	–	–
At 30 June 2017 (Unaudited)	43,757	152,842	(405)	6,702	21,771	2,824	2,607	696,280	926,378	(231)	926,147

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Operating activities		
Profit before income tax	45,369	37,820
Adjustments for:		
Depreciation	7,360	9,723
Amortisation of intangible assets	143	143
Interest income	(612)	(2,153)
Net fair value gains on derivative financial instruments	(329)	(1,172)
Interest expense	10,125	6,683
Loss on disposal of property, plant and equipment	—	226
Property, plant and equipment written off	47	—
Provision for impairment losses in trade receivables	269	900
Share-based payment expenses	2,310	—
Provision for obsolete inventories	14,415	14,723
(Reversal of provision)/provision for product warranties and returns, net	(1,119)	9,638
Operating profit before working capital changes	77,978	76,531
Inventories	(2,938)	78,509
Trade and other receivables	(178,452)	20,988
Trade and other payables	229,667	(52,534)
Import loans	140,826	(149,678)
Provision for product warranties and returns	(4,329)	(5,609)
Cash generated from/(used in) operations	262,752	(31,793)
Interest paid	(10,125)	(6,683)
Income tax (paid)/refunded	(2,724)	2,393
Net cash generated from/(used in) operating activities	249,903	(36,083)
Investing activities		
Payments to acquire property, plant and equipment	(3,382)	(2,919)
Proceeds from disposal of property, plant and equipment	—	1,528
Interest received	612	2,153
Net cash received/(paid) on settlement of derivative financial instruments	329	(7,073)
Net cash used in investing activities	(2,441)	(6,311)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Financing activities		
Issue of new shares	8,910	—
Dividend paid to owners of the Company	(62,945)	—
Proceeds from discounted bills and factoring loans	30,704	22,597
Repayment of discounted bills and factoring loans	(35,063)	(30,839)
Repayment of obligations under finance leases	(8)	(8)
Net cash used in financing activities	(58,402)	(8,250)
Net increase/(decrease) in cash and cash equivalents	189,060	(50,644)
Cash and cash equivalents at beginning of period	789,839	789,783
Effect of exchange rate changes on cash and cash equivalents	839	388
Cash and cash equivalents at end of period	979,738	739,527

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 2017 (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 2016 (the “Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which 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 operations and effective for its accounting period beginning on 1 January 2017. 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. REVENUE

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 ("PC") parts and accessories.

(b) Geographical information

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

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Asia Pacific ("APAC")	1,239,322	991,999
North and Latin America ("NALA")	390,194	345,480
People's Republic of China ("PRC")	875,411	814,326
Europe, Middle East, Africa and India ("EMEA")	466,840	346,693
	2,971,767	2,498,498

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

(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 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Video graphics cards	2,365,086	1,838,678
Electronics manufacturing services	263,573	364,591
Other PC related products and components	343,108	295,229
	2,971,767	2,498,498

4. SEGMENT REPORTING (CONTINUED)

(d) Revenue from brand and non-brand businesses

The following is an analysis of the Group's revenue from its brand and non-brand businesses:

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Brand businesses	1,785,287	1,458,481
Non-brand businesses	1,186,480	1,040,017
	2,971,767	2,498,498

(e) 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 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Customer A (Note i)	475,152	534,036
Customer B (Note ii)	N/A	286,406

Notes:

- i. Revenue from this customer was derived from sales of video graphics cards and solid state drivers in the PRC.
- ii. Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue in 2017 did not contribute 10% or more of the Group's revenue.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Interest income	612	2,153
Net exchange gains/(losses)	7,665	(3,930)
Net fair value gains on derivative financial instruments	329	1,172
Loss on disposal of property, plant and equipment	—	(226)
Sundry income	2,599	2,224
Provision for demand of repayment	(289)	—
	10,916	1,393

6. FINANCE COSTS

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Interest on bank advances and other borrowings	10,125	6,683

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

7. PROFIT BEFORE INCOME TAX

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

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Inventories recognised as expense	2,711,484	2,251,447
Provision for obsolete inventories	14,415	14,723
Cost of sales	2,725,899	2,266,170
Staff costs	152,383	154,406
Depreciation of property, plant and equipment	7,360	9,723
Amortisation of intangible assets (Note a)	143	143
Provision for impairment losses on trade and other receivables, net	269	900
Operating lease payments on plant and machinery	104	88
Operating lease payments on premises	15,128	17,869
Property, plant and equipment written off	47	—
(Reversal of provision)/provision for product warranties and returns, net	(1,119)	9,638
Research and development expenditure (Note b)	21,719	20,993

Notes:

- (a) Amortisation of intangible assets of HK\$143,000 (2016: HK\$143,000) is included in "Administrative expenses" in the condensed consolidated statement of comprehensive income.
- (b) Research and development expenditure for the period represents 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 Consolidated Interim Financial Statements

For the six months ended 30 June 2017

8. INCOME TAX EXPENSE

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

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Current tax — Hong Kong		
— provision for the period	1,059	2,707
— over provision in respect of prior year	—	(1,633)
Current tax — PRC		
— provision for the period	265	255
— under provision in respect of prior year	6	19
Current tax — others		
— provision for the period	37	36
— under/(over) provision in respect of prior year	337	(17)
Income tax expense	1,704	1,367

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

The Company'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% (2016: 16.5%) on the estimated assessable profits for the six months ended 30 June 2017. A significant subsidiary of the Company, PC Partner Limited, is exempted from Hong Kong profits tax in respect of 50% of all of its manufacturing profits which is as offshore in nature 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 Company'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 for the six months ended 30 June 2017 is 15% (2016: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2016: 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 2017.

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

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

9. DIVIDENDS

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
2016 Final dividend paid — HK\$0.108 (2016: 2015 Final dividend paid — HK\$Nil) per share	47,209	—
2016 Special dividend paid— HK\$0.036 (2016: 2015 Special dividend paid — HK\$Nil) per share	15,736	—
Dividends paid for the period	62,945	—

The directors of the Company proposed an interim dividend of HK\$0.04 (2016: HK\$0.035) per share, totalling HK\$17,503,000 (2016: HK\$14,613,000) for the six months ended 30 June 2017. The interim dividend has not been recognised as liabilities at 30 June 2017.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2017 and 2016 is based on the profit attributable to owners of the Company for the periods and weighted average number of shares in issue during the current and prior periods, calculated as follows:

Profit

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Profit for the purpose of basic and diluted earnings per share	43,720	36,515

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

10. EARNINGS PER SHARE (CONTINUED)

Number of shares

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	432,138,419	417,518,668
Effect of dilutive potential ordinary shares: – share options	5,911,323	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	438,049,742	417,518,668

The computation of diluted earnings per share for the six months ended 30 June 2016 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\$3,382,000 (2016: HK\$2,919,000) and no write off of property, plant and equipment (2016: HK\$Nil).

12. TRADE AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Trade receivables	905,092	731,923
Less: Accumulated impairment losses	(7,626)	(7,333)
	897,466	724,590
Other receivables	11,172	8,483
Deposits and prepayments	17,697	15,104
	926,335	748,177

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Within 1 month	629,805	404,718
Over 1 month but within 3 months	185,460	287,502
Over 3 months but within 1 year	79,383	29,385
Over 1 year	2,818	2,985
	897,466	724,590

The credit period on sales of goods is 30 to 60 days (2016: 30 to 60 days) from the invoice date.

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Neither past due nor impaired	561,534	501,714
Within 1 month	223,912	125,046
Over 1 month but within 3 months	39,938	78,833
Over 3 months but within 1 year	69,957	16,027
Over 1 year	2,125	2,970
	897,466	724,590

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 Consolidated Interim Financial Statements

For the six months ended 30 June 2017

13. TRADE AND OTHER PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Trade payables	871,874	828,143
Other payables and accruals	319,230	133,294
	1,191,104	961,437

All trade 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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Within 1 month	616,592	563,934
Over 1 month but within 3 months	201,055	242,260
Over 3 months but within 1 year	51,003	18,689
Over 1 year	3,224	3,260
	871,874	828,143

14. BORROWINGS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Import loans — secured	1,109,723	968,897
Discounted bills	14,299	18,658
	1,124,022	987,555

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
On demand or within 1 year	1,124,022	987,555

- (i) At 30 June 2017, the above borrowings bear interest at effective interest rates ranging from 0.9% per annum over cost of funds (2016: 0.9% per annum over cost of funds) to 1.1% per annum over cost of funds (2016: 1.1% per annum over cost of funds) for the period.
- (ii) The Group's banking facilities are secured by bank deposits of HK\$453,000 (2016: HK\$450,000).
- (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 2017 HK\$'000 (Unaudited)
Provision for product warranties and returns At beginning of period	12,883
Reversal of provision, net Utilised	(1,119) (4,329)
Net movement for the period	(5,448)
At end of period	7,435

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 2017		31 December 2016	
	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				
At beginning of period/year	429,393,668	42,939	417,518,668	41,752
Share options exercised	8,175,000	818	11,875,000	1,187
At end of period/year	437,568,668	43,757	429,393,668	42,939

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 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Within 1 year	14,011	23,336
Over 1 year but within 5 years	6,184	8,726
	20,195	32,062

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

18. CAPITAL COMMITMENTS

As at 30 June 2017 and 31 December 2016, the Group had the following capital commitments contracted but not provided for in respect of:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000
Acquisition of property, plant and equipment	3,729	365

19. RELATED PARTY DISCLOSURES

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

	30 June 2017 HK\$'000 (Unaudited)	30 June 2016 HK\$'000 (Unaudited)
Related companies owned by directors of the Company — rent	390	390
Director of a subsidiary — rent	100	96
Director of the Company — rent	100	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.