* For identification purpose only

PCPartner®

HKSE: 1263

栢能集團有限公司*

PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

2023
ANNUAL REPORT

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COMPANY PROFILE

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

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

We are a
technology company with a
GLOBAL VISION.


THE AIRO EVOLUTION
ZOTAC GAMING GEFORCE RTX™ 40 SERIES
Inspired by aerodynamic concepts, the AIR-Optimized design blends cutting-edge GPU architecture and superior cooling for the ultimate gaming performance.

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, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim

AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing, *B.B.S., J.P.*
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim

REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman), B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony
Ms. CHAN Yim

NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman), B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony
Ms. CHAN Yim

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

Ms. LEE Yuet Wan

AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEE Yuet Wan

AUDITOR

BDO Limited
Registered Public Interest Entity Auditor
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

Lau, Horton & Wise LLP
8/F., Nexxus Building
41 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F., NCB Innovation Centre,
888 Lai Chi Kok Road,
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

WEBSITE

www.pcpartner.com

CHAIRMAN STATEMENT

Dear Shareholders,

The business environment remained complex and volatile for the past year. Various uncontrollable external factors such as high inflation and interest rate, strong U.S. dollar, geo-political issues and wars continued to affect consumer demand and corporate spending in different regions. Both the sales revenue and profit margin have achieved a certain improvement in the second half of the year as compared to the first half of the year. Although the full year profit and loss result lagged behind the Company's target, the Company has achieved an increase in free cash flow and a healthy balance sheet. Both the free cash flow from operating activities and the net cash position have improved from a year ago, inventories and net interest cost were under control with a more cautious approach on inventory planning and a better utilization of cash flow to gain on interest income and to reduce borrowings for the past year.

The U.S. government has published new restrictions in October 2023 to block technology companies in U.S. including NVIDIA selling high end AI semiconductor chips and a top-of-the-line graphics processing unit ("GPU"), to restricted countries and regions which include Mainland China and Hong Kong. It may not have a significant impact on the Company in the short term but it is a threat if the Company is unable to obtain new generation of high-end GPUs in future. The Company is in the process of applying for special exemption permit from the U.S. Trade Department to gain access to those high end gaming GPUs. Meanwhile, the Company is also studying and seeking other alternatives to tackle the latest sanction.

The U.S. tariff issue is related to the difference in view between U.S. Customs and Border Protection ("CBP") and the Company as to a proper categorization of GPU gaming cards imported to the United States. With technological change, computers no longer require a GPU gaming card for display purposes since the central processing unit ("CPU"), alone is able to fulfill the display function. Since this development, consumers who buy a GPU gaming card do so mainly for the purpose of enhancing the video game experience in terms of high definition display and speed. The Company will file appeal with CBP against ruling on a correct understanding of the product application and it is expected CBP will take quite sometimes for a ruling judgment.

OUTLOOK

Business has started picking up from the second half of last year and the outlook of this year is relatively positive. There are some new series of GPU gaming cards launched in January this year which has triggered a decent demand from gamers. It is believed that the sales momentum of these new series of products will continue until the next generation products come out probably in the last quarter of the year. New GPU gaming cards with next generation GPUs are expected to trigger a strong sales demand which will deliver a decent sales performance and a higher profit margin.

The Company will keep investing on new product development. A new product line of GPU server for artificial intelligence and machine learning applications will be ready to launch in the first quarter of this year. In addition, handheld personal computer ("PC") and medical grade computers are also in the new product development pipeline of this year. All these new products shall provide a further contribution on sales revenue and profit to the Company in this year and future years. The upcoming AI PC will be a revolution of the computer industry which may have significant contribution to all computer hardware companies in future.

Although the rising geo-political uncertainties present a significant challenge to the global economy, PC Partner is in a strong position with a solid foundation and a strong financial strength which allows continuous investment on product innovation and operational excellence to increase returns to shareholders. I would like to thank all employees for their support, our directors for their counsel and all shareholders, customers and suppliers for their support throughout the year.

WONG Shik Ho Tony
Chairman and Chief Executive Officer

Hong Kong, 14 March 2024

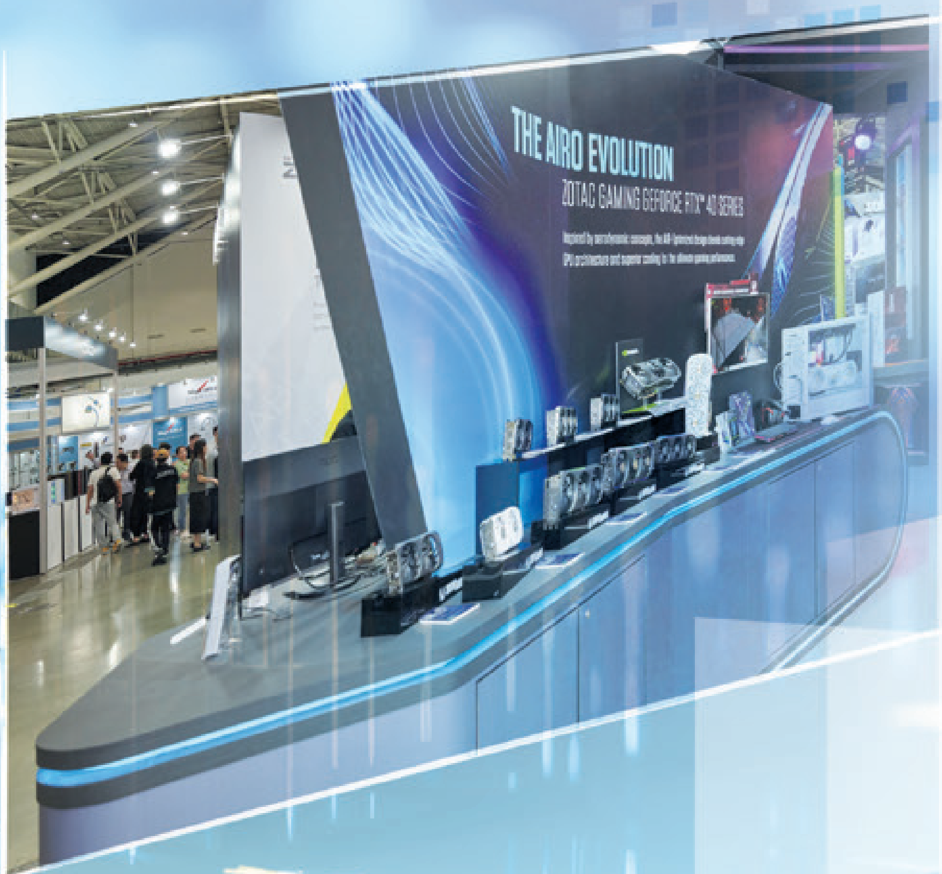
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design, manufacturing and trading of video graphics cards ("VGA Cards") for desktop computer, electronics manufacturing services ("EMS") and manufacturing and trading in other PC related products and components.

The Group manufactures VGA Cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") customers and also manufactures and markets VGA Cards and other products under its own brands, namely ZOTAC, Inno3D and Manli. The business relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. VGA Cards remain the core business of the Group for the year.

The Group provides EMS to globally recognised brands, including major providers of Automatic Teller Machines ("ATM") and Point-Of-Sales ("POS") systems, industrial devices, and various types of consumer electronic products. Aside from VGA Cards and the EMS businesses the Group manufactures and sell other PC related products such as computers, motherboards, and other products and further derives revenue from trading of products and components.



Management Discussion and Analysis

Business Performance

Revenue has recorded a decrease of HK$1,608.1 million, or 14.9%, from HK$10,775.3 million in 2022 to HK$9,167.2 million in 2023. Business performance deteriorated which was largely affected by various geopolitical and economic factors that have discouraged consumer spending and corporate investment throughout the year.

VGA Cards business has recorded a decrease of HK$1,728.7 million, or 19.2%, from HK$8,994.8 million in 2022 to HK$7,266.1 million in 2023. Sales of own brand VGA Cards decreased by HK$1,241.4 million, or 18.0%, from HK$6,902.6 million in 2022 to HK$5,661.2 million in 2023. Strong U.S. dollar together with high interest rate continued to discourage gamers spending on new VGA Cards. In addition, the Group has also adopted a more conservative strategy to reduce purchases of the last generation GPUs and unpopular models which would cause a decline in sales revenue during the year. Sales volume of own brand VGA Cards has fallen by 13.2% with average selling price ("ASP") decreased by approximately 5.5% from 2022 to 2023. The decline of ASP was mainly associated with a change of product mix together with price promotion to stimulate sales and discounts offered to clear the last generation and slow moving products during the year.

Sales of ODM/OEM VGA Cards decreased by HK$487.3 million, or 23.3%, from HK$2,092.2 million in 2022 to HK$1,604.9 million in 2023. The decline of ODM/OEM orders of VGA Cards was mainly due to a drop of sales volume by 19.5% from 2022 to 2023. The business was also largely affected by an unstable geopolitical and economic environment which discouraged consumer spending and demand of PC hardware. Many ODM/OEM customers had cancelled or postponed projects due to a deteriorating economy with a continuous decline of PC shipment during the year.

EMS business has recorded a decrease of HK$89.9 million, or 10.8%, from HK$828.9 million in 2022 to HK$739.0 million in 2023. The change was mainly due to a decline in orders from major customers that was mainly caused by geopolitical and economic factors which affected the demand of the products.

Sales of other PC related products and components business increased by HK$210.5 million, or 22.1%, from HK$951.6 million in 2022 to HK$1,162.1 million in 2023. PC product lines under the other PC related products and components business has recorded a decline by 13.8% which was mainly due to geopolitical and economic issues together a weak demand of PC during the year; however, the decline of PC product lines have been fully offset by an increase in component trade by 46.1% during the year.

Revenue of brand business decreased by HK$1,231.7 million, or 17.5%, from HK$7,047.3 million in 2022 to HK$5,815.6 million in 2023. Performance of brand business was highly associated with consumer confidence and spending power which was largely affected by a mixture of high inflation and aggressive monetary policies as well as the unstable geopolitical issues. The Group has adopted a more conservative approach to minimize the inventory risk on GPU intakes especially of the last generation and slow moving product series.

The ODM/OEM business which includes component trade has recorded a decrease in revenue of HK$376.4 million, or 10.1%, from HK$3,728.0 million in 2022 to HK$3,351.6 million in 2023. The decline was mainly associated with the weak demand of ODM/OEM business segment which was also largely caused by an unstable geopolitical and economic environment that has discouraged both consumer spending and corporate investment. All the business lines have experienced a decline which was partially offset by an increase in component trade during the year.

Regional business performance was very much associated with geopolitical issue, governmental policy, and the economy of different regions and countries. The People's Republic of China ("PRC") region has recorded an increase in revenue by 6.4%. The Asia Pacific ("APAC") region, the North and Latin America ("NALA") region and the Europe, Middle East, Africa and India ("EMEAI") region have recorded a drop of revenue by 12.3%, 38.3% and 16.2% respectively.

Management Discussion and Analysis

APAC Region

In the APAC region, revenue decreased by HK$459.8 million, or 12.3%, from HK$3,734.0 million in 2022 to HK$3,274.2 million in 2023. It was mainly due to a decline in sales of both brand VGA Cards and ODM/OEM basis VGA Cards as a result of weak demand of PC. Depreciation of most Asian currencies such as Japanese Yen and Korean Won had weakened consumer purchasing power in the regions which has resulted in a decline in demand of brand VGA Cards and computer products.

NALA Region

In the NALA region, revenue amounted to HK$1,282.3 million in 2023, representing a decrease of HK$796.1 million, or 38.3%, as compared to HK$2,078.4 million in 2022. The change was mainly due to a lower sales volume in U.S., high inflation and aggressive monetary policies has discouraged consumer demand and corporate spending which has resulted in a decline in sales of brand products. In addition, depreciation of currencies in Latin America had also weakened consumer purchasing power in most Latin America countries during the year.

PRC Region

In the PRC region, revenue amounted to HK$2,127.3 million in 2023, representing an increase of HK$127.6 million, or 6.4%, as compared to HK$1,999.7 million in 2022. Sales demand of VGA Cards and computer products remained weak since the economy has not been fully recover from the COVID lockdown; however, an increase in component trade has offset the downside of the product sales during the year.

EMEAI Region

In the EMEAI region, revenue amounted to HK$2,483.4 million in 2023, representing a decrease of HK$479.8 million, or 16.2%, as compared to HK2,963.2 million in 2022. High inflation and aggressive monetary policies has discouraged consumer demand and corporate spending which has resulted in a decline in sales revenue in the region. In addition, the unstable geopolitical issues and the war in Ukraine has caused sanctions of export products to Russia which has also affected the regional business performance during the year.

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, ISO45001, QC080000, ISO13485 and the code issued by Responsible Business Alliance ("RBA").

Principal Risks and Uncertainties

The Group has operated in a fast moving and highly competitive environment and the product life cycle tends to be shortened over the years. New products introduction requires significant resources involvement from development, production, sales and marketing. The Group will be at risk and may lag behind the competition if it cannot respond promptly to the changing business environment. Technological change may impose an adverse impact on the business if the Group is unable to adopt new technologies and develop the relevant products to catch the market trend on a timely basis. Talent is a key to success of technology company so that engineering and product development talents are critical to the Group. Lack of capable talents on design and development of new products is a risk to the Group on competitiveness. The Group would continue to review the human resources and look for suitable talents to join the Group in order to stay ahead of technology and develop new products efficiently against competition.

Business relationship with customers and suppliers are also crucial for the business success. The Group has established a long business partnership with AMD and NVIDIA, and rides on the technologies from these technology leaders to develop own products and gain the know-how of the technologies on business development. Discontinuance of the business partnership would be a threat to the Group. The Group would continue to maintain a strategic business relationship with the technology partners, customers and suppliers, and continue to explore new cooperation opportunities in the industry.

The growing tensions over trade and technology between the two biggest economies, China and the United States, is a threat to the global economy which may affect confidence in terms of consumer spending and corporate capital expenditure. A further trade restriction and tariff imposed on import and export of technology and products between China and the United States would increase the cost of products which will ultimately be passed onto consumers that may discourage and reduce consumer and corporate demand in the long run. Furthermore, it is still uncertain about the impact to the business of the Group of the revocation of the United States-Hong Kong Policy Act of 1992 in future. Most of the products manufactured by the Group rely on United States technologies. It is a risk to the Group if the United States restrict the export of consumer grade technologies to Hong Kong.

In October 2023, U.S. government published new restrictions to block technology companies in U.S. including NVIDIA selling high end AI semiconductor chips and a top-of-the-line gaming GPU to restricted countries and regions which included China as well as Hong Kong and Macau. NVIDIA would not be able to sell the top-of-the-line gaming GPU to the Group once the restrictions was in-placed in November 2023. This is a disadvantage to the Group on competition if the brands under the Group cannot carry a full range of VGA Cards from top of the line to lowest series but major peers in Taiwan do not face the same challenge. In addition, the Group is not able to take OEM/ODM orders for the top-of-the-line gaming GPU for production which would result in a competitive disadvantage and a drop of sales revenue to the Group. It is reasonable to expect the future generation of GPU will come with a faster speed and higher performance. The Group may suffer from significant decrease in revenue in case there will be more gaming GPUs falling into the sanction list in future.

The Group is not aware of any other particular or important event that has occurred which would trigger a risk and uncertainty as at 31 December 2023.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by HK$1,608.1 million, or 14.9%, from HK$10,775.3 million in 2022 to HK$9,167.2 million in 2023. The change was mainly due to a decline in sales of both VGA Cards and EMS business even through an increase of other PC related products and components segment has offset a part of the downside. The business was largely affected by various geopolitical and economic factors that had resulted in a decrease in sales for the year.

Revenue on VGA Cards decreased by HK$1,728.7 million, or 19.2%, from HK$8,994.8 million in 2022 to HK$7,266.1 million in 2023. Sales of own brand VGA Cards and ODM/OEM VGA Cards have recorded a decline by HK$1,241.4 million and HK$487.3 million respectively during the year. Sales of own brand VGA Cards decreased by HK$1,241.4 million, or 18.0%, from HK$6,902.6 million in 2022 to HK$5,661.2 million in 2023. Geopolitical issue and high inflation together with aggressive monetary policies had caused a shrink in demand of VGA Cards and also resulted in a slowdown of VGA Cards replacement cycle. In addition, the Group has also adopted a more conservative practice to reduce intakes of the last generation and slow moving GPUs which would also cause a decline in sales revenue during year.

ODM/OEM orders on VGA Cards decreased by HK$487.3 million, or 23.3%, from HK$2,092.2 million in 2022 to HK$1,604.9 million in 2023. The business was largely affected by an unstable geopolitical and economic environment which discouraged consumer spending and demand of PC hardware. Many ODM/OEM customers had cancelled or postponed projects due to a deteriorating economy with a weak demand of PC shipment during the year.

Revenue derived from the EMS business amounted to HK$739.0 million in 2023, representing a decrease of HK$89.9 million, or 10.8%, as compared to HK$828.9 million in 2022. The change was mainly due to a decline in orders from major customers that was mainly caused by geopolitical and economic factors which affected the demand of the products.

Sales of other PC related products and components increased by HK$210.5 million, or 22.1%, from HK$951.6 million in 2022 to HK$1,162.1 million in 2023. Although the PC product lines under the other PC related products and components business has recorded a decline by 13.8% but it has been fully offset by an increase in component trade by 46.1% during the year.

Gross Profit and Margin

The Group's gross profit in 2023 was HK$700.7 million, representing a decrease of HK$862.3 million, or 55.2%, as compared with HK$1,563.0 million in 2022. Gross profit margin was 7.6% in 2023 as compared with 14.5% in 2022. Decline of gross profit margin was mainly associated with price promotion to stimulate sales of own brand VGA Cards and clearance of last generation and slow moving of own brand VGA Cards with discount during the year. Drop in sales volume on both own brand and ODM/OEM VGA Cards together with a decline in orders from EMS business as well as a lower sales level of PC products under the other PC related products and components segment has also resulted in a decline of gross profit and margin during the year.

Material cost as a percentage of sales increased by 6.5% from 83.2% in 2022 to 89.7% in 2023 which was mainly resulted from sales promotion and discount offered to customers under own brand VGA Cards together with a lower sales level from EMS business and PC products under the other PC related products and components segment. The Group has spent less on conversion cost which consisted of direct labour and production overheads for a total of HK$6.8 million, or 2.7%, from HK$248.0 million in 2022 to HK$241.2 million in 2023. Although the direct labour cost has been reduced by 13.0% which aligned with sales volume decline during the year, the Group has incurred a much higher capital expenditure in the year of 2022 for production automation and factory maintenance that has resulted in a higher depreciation cost so that the overall conversion cost was almost flatlining as compared to the prior year.

Other Revenue and Other Gains and Losses

Other revenue and other gains and losses increased by HK$32.2 million, or 2,300.0%, from a loss of HK$1.4 million in 2022 to a gain of HK$30.8 million in 2023. The change was mainly due to a significant increase in interest income by HK$39.7 million from HK$10.5 million in 2022 to HK$50.2 million in 2023 which has fully offset the net exchange losses and other expenses incurred for the year.

Operating Expenses

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment losses on financial assets and finance costs, decreased by HK$34.5 million, or 5.1%, from HK$677.9 million in 2022 to HK$643.4 million in 2023. The change was mainly due to lower spending on directors' profit sharing and staff bonus under administrative expenses in 2023 as compared to 2022.

Selling and distribution expenses increased by HK$16.7 million, or 13.7%, from HK$121.5 million in 2022 to HK$138.2 million in 2023. The change was mainly due to additional RMA provision incurred during the year which has offset the savings on other selling an distribution items during the year.

Management Discussion and Analysis

Administrative expenses were HK$80.5 million lower than last year, which represents a decrease by 15.4% from HK$523.3 million in 2022 to HK$442.8 million in 2023. Staff cost included directors' remuneration under administrative expenses decreased by HK$93.2 million, or 22.4%, from HK$416.2 million in 2022 to HK$323.0 million in 2023. It was mainly associated with less provision on performance bonus and directors' profit sharing due to the profit decline during the year. Other administrative expenses increased by HK$12.7 million, or 11.9%, from HK$107.1 million in 2022 to HK$119.8 million in 2023 which was mainly due to increase in depreciation of property, plant and equipment.

The impairment losses on financial assets increased by HK$2.6 million, or 520.0%, from HK$0.5 million in 2022 to HK$3.1 million in 2023. There was no material impairment loss associated with any specific customer during the year.

Finance costs increased by HK$26.7 million, or 81.9%, from HK$32.6 million in 2022 to HK$59.3 million in 2023. The increase was mainly due to significant increase in interest rate during the year.

There was no further loss shared from the joint venture in 2023 since the Group fully recognised its share of loss up to the carrying value of the joint venture investment of HK$40.5 million in 2022.

Profit attributable to Owners of the Company

The Group recorded a profit attributable to owners of the Company of HK$60.8 million in 2023 as compared with HK$702.5 million in 2022. The decrease was mainly due to a substantial reduction of gross profit even through it has been partially offset by the decrease in operating expenses.

Income tax expenses of HK$28.2 million were recorded in 2023 which decreased by HK$113.1 million, or 80.0%, from HK$141.3 million in 2022. The change was mainly due to a decrease in profit of some major operating subsidiaries of the Company during the year.

Earnings per share and Dividends

The profit attributable to owners of the Company in 2023 was HK$60.8 million which resulted in basic earnings of HK$0.16 per share and diluted earnings of HK$0.16 per share. Profit attributable to owners of the Company in 2022 was HK$702.5 million with basic earnings of HK$1.81 per share and diluted earnings of HK$1.81 per share. In view of a strong net cash position, the Board proposed a final dividend of HK$0.2 per share for the year ended 31 December 2023 and it is estimated to be HK$77.6 million in total.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds decreased by HK$76.0 million, or 2.7%, from HK$2,848.8 million as at 31 December 2022 to HK$2,772.8 million as at 31 December 2023.

Financial Position

Total non-current assets decreased by HK$66.1 million, or 9.0%, from HK$733.6 million as at 31 December 2022 to HK$667.5 million as at 31 December 2023. The change was mainly due to a decrease in net book value of property, plant and equipment and right-of-use assets.

Net book value of property, plant and equipment decreased by HK$39.0 million, or 6.5%, from HK$596.4 million as at 31 December 2022 to HK$557.4 million as at 31 December 2023. The change was mainly due to a higher depreciation of property, plant and equipment as the Group spent more on capital expenditure in the year of 2022 which was more than the addition of fixed assets incurred during the year. The right-of-use assets decreased by HK$29.2 million, or 24.0%, from HK$121.8 million as at 31 December 2022 to HK$92.6 million as at 31 December 2023 that was mainly associated with the depreciation of right-of-use assets under lease contracts on land and buildings. Deferred tax assets increased by HK$1.8 million, or 45.0%, from HK$4.0 million as at 31 December 2022 to HK$5.8 million as at 31 December 2023. It was mainly due to loss incurred under a number of subsidiaries during the year. Trade and other receivables increased by HK$0.3 million, or 5.6% from HK$5.4 million as at 31 December 2022 to HK$5.7 million as at 31 December 2023 which was mainly associated with part of rental deposits being classified as non-current assets during the year.

The Group has total current assets of HK$4,627.9 million as at 31 December 2023 and HK$5,428.4 million as at 31 December 2022. The Group's total current liabilities amounted to HK$2,452.2 million as at 31 December 2023 and HK$3,213.7 million as at 31 December 2022. The Group's current ratio, defined as total current assets over total current liabilities, was increased from 1.7 as at 31 December 2022 to 1.9 as at 31 December 2023.

The Group's cash and bank balances increased from HK$2,207.3 million as at 31 December 2022 to HK$2,491.2 million as at 31 December 2023. It was mainly due to a reduction of inventories during the year together with a faster collection of trade receivables in the last quarter of the year. The Group has incurred a lower level of borrowings of HK$982.4 million as at 31 December 2023 as compared to HK$1,738.7 million as at 31 December 2022. It was mainly due to the Group having a higher utilization on the available cash on hand to finance the procurement and operation in order to reduce borrowings during the year. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounting to HK$30.2 million and non-current lease liabilities amounting to HK$69.0 million as at 31 December 2023. The Group's net cash to equity ratio (being cash and bank balances minus debts divided by total equity) increased from 11.9% as at 31 December 2022 to 50.8% as at 31 December 2023. The change was mainly due to an increase of cash and bank balances and a decrease of borrowings as at 31 December 2023. Gearing ratio was not presented as the Group was at a net cash position as at 31 December 2022 and 31 December 2023.

Management Discussion and Analysis

Trade and other receivables under current assets consisting of trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment decreased by HK$366.5 million, or 29.1%, from HK$1,260.6 million as at 31 December 2022 to HK$894.1 million as at 31 December 2023. Trade receivables at amortised cost decreased by HK$403.1 million, or 34.9%, from HK$1,155.8 million as at 31 December 2022 to HK$752.7 million as at 31 December 2023. The change was mainly due to a faster collection cycle being executed in the last quarter of the year. Trade receivables at fair value through profit or loss in factoring arrangement increased by HK$33.0 million, or 114.2%, from HK$28.9 million as at 31 December 2022 to HK$61.9 million as at 31 December 2023. Other receivables, deposits and prepayment under current assets increased by HK$3.6 million, or 4.7%, from HK$75.9 million as at 31 December 2022 to HK$79.5 million as at 31 December 2023. It was mainly associated with deposit paid for suppliers for fixed assets acquisition and leasehold improvement in factory. Current income tax recoverable increased by HK$9.5 million, or 16.1%, from HK$59.0 million as at 31 December 2022 to HK$68.5 million as at 31 December 2023. Increase in income tax recoverable was mainly associated with decrease in assessable profit under some subsidiaries of the Company.

As at 31 December 2023, total expected credit loss (“ECL”) provision of about HK$0.3 million, HK$0.5 million, HK$0.5 million, HK$1.7 million and HK$305.7 million was recognised for trade receivables at amortised cost aged “Not past due”, “Within 1 month past due”, “Over 1 month within 3 months past due”, “Over 3 months but within 1 year past due” and “Over 1 year past due” respectively under the ECL assessment on both individual and collective basis. As at 31 December 2022, total ECL provision of about HK$0.1 million, HK$190.5 million and HK$123.3 million was recognised for trade receivables at amortised cost aged “Over 1 month within 3 months past due”, “Over 3 months but within 1 year past due” and “Over 1 year past due” respectively under the ECL assessment on both individual and collective basis.

As at 29 February 2024, the Group has collected a total of HK$709.9 million representing 63.2% of the gross carrying amount of trade receivables as at 31 December 2023. Part of the remaining balances from customers come with longer payment terms, the directors of the Company believed the trade receivables after provision would be fully recoverable and no further impairment loss was considered.

Trade and other payables increased by HK$42.3 million, or 3.4%, from HK$1,237.8 million as at 31 December 2022 to HK$1,280.1 million as at 31 December 2023. Trade payables increased by HK$81.5 million, or 8.4%, from HK$965.4 million as at 31 December 2022 to HK$1,046.9 million as at 31 December 2023. It was mainly associated with an increase in purchase of new series of GPUs and relevant materials before end of the year in order to get ready for the new product launches in January 2024. Other payables decreased by HK$39.2 million, or 14.4%, from HK$272.4 million as at 31 December 2022 to HK$233.2 million as at 31 December 2023. The change was resulted from a decrease in provision of staff performance bonus and directors’ profit sharing as at 31 December 2023.

Under HKFRS 15, the Group is required to report provision of sales return warranty under refund liabilities in the current liabilities section and the relevant costs of return is reported under the right of return assets in the current assets section. Right of return assets decreased by HK$31.0 million, or 44.5%, from HK$69.6 million as at 31 December 2022 to HK$38.6 million as at 31 December 2023. Refund liabilities decreased by HK$35.0 million, or 41.8%, from HK$83.8 million as at 31 December 2022 to HK$48.8 million as at 31 December 2023. The change was mainly due to a sales decline which resulted in a decrease of sales return warranty provision under refund liabilities and the costs of return reported under the right of return assets as at 31 December 2023.

Contract liabilities has substantially decreased by HK$15.5 million, or 20.3%, from HK$76.5 million as at 31 December 2022 to HK$61.0 million as at 31 December 2023. The change was mainly due to a decrease of customer prepayment to secure purchase of products as at 31 December 2023. Provision for product warranties increased by HK$1.7 million, or 4.3%, from HK$39.4 million as at 31 December 2022 to HK$41.1 million as at 31 December 2023.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2023, 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 Renminbi, Euro, Korean Won and Japanese Yen. The Group entered into one forward exchange contract in 2022 and three structured investment contract in 2023.

Working Capital

Inventories of the Group as at 31 December 2023 were HK$1,135.5 million which decreased by HK$696.4 million, or 38.0%, as compared with HK$1,831.9 million as at 31 December 2022. The change was mainly associated with a slowdown of business and the Group has further tightened up inventory control and intakes especially the last generation and slow moving GPUs in order to minimize potential inventory risk. Inventory turnover days decreased from 66 days as at 31 December 2022 to 64 days as at 31 December 2023. The change was mainly associated with a significant decline in inventories as at 31 December 2023.

Trade receivables as at 31 December 2023 were HK$814.6 million, which decreased by HK$370.1 million, or 31.2%, as compared with HK$1,184.7 million as at 31 December 2022. The change was a faster collection cycle being executed in the last quarter of the year, so that trade receivable turnover days has decreased from 41 days as at 31 December 2022 to 40 days as at 31 December 2023.

Trade payables as at 31 December 2023 were HK$1,046.9 million, which increased by HK$81.5 million, or 8.4%, as compared with HK$965.4 million as at 31 December 2022. The change was associated with an additional purchase of new series of GPUs and relevant materials before end of the year in order to get ready for the production of new product launches in January 2024. Payment term on purchase of GPU was shorter than the payment terms offered on purchase of other most materials, so that trade payable turnover days decreased from 51 days as at 31 December 2022 to 43 days as at 31 December 2023.

CHARGES ON ASSETS

As at 31 December 2023, bank deposits of HK$0.3 million were pledged to a bank to secure the corporate credit card granted to the Group and the Group had pledged certain office premises with an aggregate carrying value of approximately HK$361.5 million to a bank.

Management Discussion and Analysis

CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes borrowings and lease liabilities, and equity of the Group, comprising share capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

CAPITAL EXPENDITURE

The Group's additions to property, plant and equipment in 2023 amounted to HK$35.6 million.

CAPITAL COMMITMENTS

As at 31 December 2023, total capital commitments amounted to HK$15.9 million.

CONTINGENT LIABILITY

Included in the sales of products to United States of America ("U.S.A.") was the Group's own brand VGA cards, which are imported to U.S.A. as gaming component for custom declaration. During the year, the Group identified a classification issue on import declaration of VGA cards that CBP may treat VGA cards as computer component. Such classification would lead to a 25% tariff under China Section 301 Tariffs in a certain period of time and the maximum amount of the potential tariff approximates US$25 million (approximately HK$197 million).

The Group is of opinion that the VGA cards are specially designed and produced for gaming purposes and the classification under gaming component is proper. Under lawyer's advice, the Group took an initiative to rectify the declaration in CBP in order to avoid additional penalty on unreported tariff and subsequently would file a protest to CBP to request the clarity on the VGA card classification issue.

The Directors are of view that it was not probable that an outflow of economic benefits will be required on the above classification issue on declaration of imported goods to U.S.A..

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no plan for material investment or acquisition of capital assets as at 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed herein, there are no important events that have occurred after the year ended 31 December 2023 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group had 2,490 employees (2022: 2,714 employees). Employees are remunerated on the 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, performance related bonuses may also be awarded to employees.

The Company 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. On 17 June 2016, the Company adopted another share option scheme ("2016 Share Option Scheme") as incentives or rewards to its directors, employees, consultants and other participants of the 2016 Share Option Scheme for their retention and contribution or potential contribution to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

There was no acquisition or disposal of property, plant or equipment during the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Objective

PC Partner Group Limited ("the Company", together with its subsidiaries, as "the Group" or "we") is pleased to present the Environmental, Social and Governance ("ESG") report (the "Report"), which summarised the ESG initiatives and accomplishments for the financial year ended 31 December 2023 ("Reporting Period" or "2023"). The Report serves the following purposes:

- communicate to all stakeholders the Group's achievement in practising corporate social responsibility;
- promote sustainable development; and
- focus on the environmental and social issues that may have impacts on stakeholders' interests.

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") and with reference to the Global Reporting Initiative ("GRI") Standards issued by Global Sustainability Standards Board, for the purpose of identifying and making disclosure of the material matters and key performance indicators ("KPIs") in relation to the Group's environmental, social and governance and promoting the full implementation of sustainable development and social responsibilities by the Group.

Participation of board of directors

The Group's ESG philosophy is to create long-term value for its stakeholders that aligns with the strategic development and sustainability of its business. The Board of Directors (the "Board") of the Company believes that sound corporate governance is the foundation for promoting and safeguarding the interests of its stakeholders. Hence, the Group is committed to maintaining a rigorous framework of corporate governance with an aim to create values for the environment, society and stakeholders and align with the corporate's sustainability strategies.

The Board is composed of members from the management committees of the Group who also sit on the boards of various companies within the Group with relevant expertise and skills, ensuring the ability to effectively oversee the ESG matters of the Group. The Board endeavours to support the Group's commitment to incorporating sustainable development into the consideration of its corporate development strategies. The Board has overall responsibility for formulating strategies, monitoring and managing ESG-related risks, as well as ensuring the effectiveness of ESG risk management and internal control systems. The ESG issues are discussed in the Board at least once every year.

We have established a two-tier governance structure, which consists of the Board and the ESG working team of the Company (the "ESG Working Team"). The Board is responsible for the Group's ESG strategy and reporting and ensuring that the Group has effective ESG management and internal control systems in place. Led by our Chief Financial Officer, the ESG Working Team is responsible for collecting, analysing and verifying ESG data to assist the Board in handling ESG-related matters, including but not limited to (i) identify and assess the Group's ESG-related risks; (ii) evaluate the implementation and effectiveness of the Group's policies and practices on corporate governance and ESG; (iii) review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the Listing Rules; (iv) examine and review the Group's ESG performance against its ESG-related goals and targets and (v) make any other recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed. The ESG Working Team's findings, decisions and recommendations are reported to the Board and discussed through meetings at least once every year. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

The Board will continuously review its business strategies to ensure that environmental and social impacts are assessed and minimised.

Report scope and boundaries

The Report covers the environmental impacts brought by the Company's manufacturing of computer electronic products, including a newly added factory, located in the People's Republic of China ("PRC") (i.e. 東莞栢能電子科技有限公司 ("PC Partner Dongguan"), a wholly owned subsidiary of the Company) and the social impacts brought by the Group for the Reporting Period. The source of data in preparing the Report is primarily based on the Group's internal policies and documents as well as information provided by various key stakeholders.

The Group will continue to optimise its data collection and reporting system over the three aspects — environmental management, social responsibility and governance, and gradually expand the disclosure scope to improve the quality and comprehensiveness of the ESG report in the long term.

Environmental, Social and Governance Report

Reporting principles

In the course of the Report's preparation, we have adhered to the following reporting principles as set out in the ESG Reporting Guide:

Principle	Context	Our Action
Materiality	The Report should contain issues that reflect material ESG impact or substantially affect stakeholders.	We communicated with our stakeholders to understand their concerns relating to issues that reflect material ESG impact and conducted materiality assessment to identify and prioritise the material sustainability topics.
Quantitative	The Report should disclose KPIs in measurable ways so that the effectiveness of relevant ESG policies and management systems can be evaluated and validated.	We measured and presented KPIs, quantitative information, the methodologies and source of conversion factors used in collecting the data, where applicable.
Balance	The Report should provide an unbiased picture of our performance, which should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the Report reader.	We kept the Report balanced and made fair disclosures on key ESG aspects. We disclosed both achievements and challenges in the Report.
Consistency	The Report should use consistent methodologies for disclosing ESG data over time. Any changes to the methods used or any other relevant factors affecting the methodologies should be disclosed in the Report.	We reported in accordance with the ESG Reporting Guide and with reference to the GRI Standards. We adopted consistent methodologies in the Report and there are no material changes in the reporting approach and methodologies from those adopted by the Group in the previous reporting period, which is for the financial year ended 31 December 2022 ("2022").

STAKEHOLDER ENGAGEMENT

The Group believes that understanding and taking actions to address key stakeholders' concerns and meet with their expectations are essential to achieve sustainable development. As part of the business strategy, the Group actively engages key stakeholders through a variety of communication channels to understand their concerns and expectations which in turn to improve the business strategies and positioning to create values for the environment, society and stakeholders. The following table shows the main channels through which the Group communicates with its major stakeholders, their expectations and concerns as identified by the Group, and the corresponding management responses.

Stakeholders	Communication channels	Expectations and concerns	Management feedback
The Board	• Board meetings • Committee meetings • Annual general meeting • Emails	• Corporate governance • Regulatory compliance • Financial performance • Strategic development	• Report to the Board regularly on the financial performance and strategic plans and development through emails, board meetings and committee meetings; and • Monitor law and regulation updates, and strictly comply with all regulatory requirements.
Shareholders and Investors	• Annual general meeting and other shareholders' meetings • Financial reports • Announcements and circulars • Company website and emails • Investor meetings	• Corporate governance • Business strategy and performance • Investment returns	• Release corporate governance information, operating data and financial results (annual report/interim report/announcement) in due course; and • Actively listen to the views and needs of shareholders and investors through conducting general meeting.

Environmental, Social and Governance Report

Stakeholders	Communication channels	Expectations and concerns	Management feedback
Customers	• Site visits • After-sales services	• Product quality • Delivery time • Financial performance • Service value • Compliance with laws and regulations	• Enhance the quality of pre-sales, in-sales and after-sales services; • Maintain the production lead time; • Collect customer feedback through customer satisfaction survey; • Immediately follow-up and handle customer complaints; • Earnestly protect customer privacy; and • Ensure the materials used in products are in compliance with applicable laws and regulation.
Employees	• Training • Interviews for employees • Employee handbook • Internal notices • Emails	• Rights and benefits • Remuneration and compensation • Training and development • Career development • Health and safety • Working environment	• Formulate competitive remuneration package and provide fair career development path; • Provide regular trainings; • Listen to employees' voices through various channels; and • Strengthen safety management and ensure that the production processes comply with safety standards.

Stakeholders	Communication channels	Expectations and concerns	Management feedback
Suppliers	• Selection assessment • Procurement process • Performance assessment • Regular communication	• Payment schedule • Stable demand • Fair and open tendering • Financial strength	• Maintain open and transparent tendering process, and provide equal competition opportunity to suppliers; • Closely communicate with suppliers in a proactive manner; and • Check on the qualification of suppliers regularly and monitor market supply and demand closely.
Media, community and the public	• Company website • Public relation through emails, phone calls and interviews • Participation in local community activities and volunteering work • Charitable donations	• Environmental protection • Employment and community development • Social contribution • Compliance with laws and regulations	• Actively participate in charity activities and community donation; • Create job opportunities; and • Monitor law and regulation updates, and strictly comply with all regulatory requirements.

MATERIALITY ASSESSMENT

The Group conducts materiality assessment on ESG-related topics annually based on the feedback from stakeholders. Factors such as the Group's business strategies, objectives and internal policies, industry standards, legal and regulatory responsibilities, environmental protection, use of resources, employee protection, etc. were considered in order to identify the ESG issues and impacts that are of most concern to the Group's business operations and stakeholders and determine the material ESG issues to be disclosed in the Report.

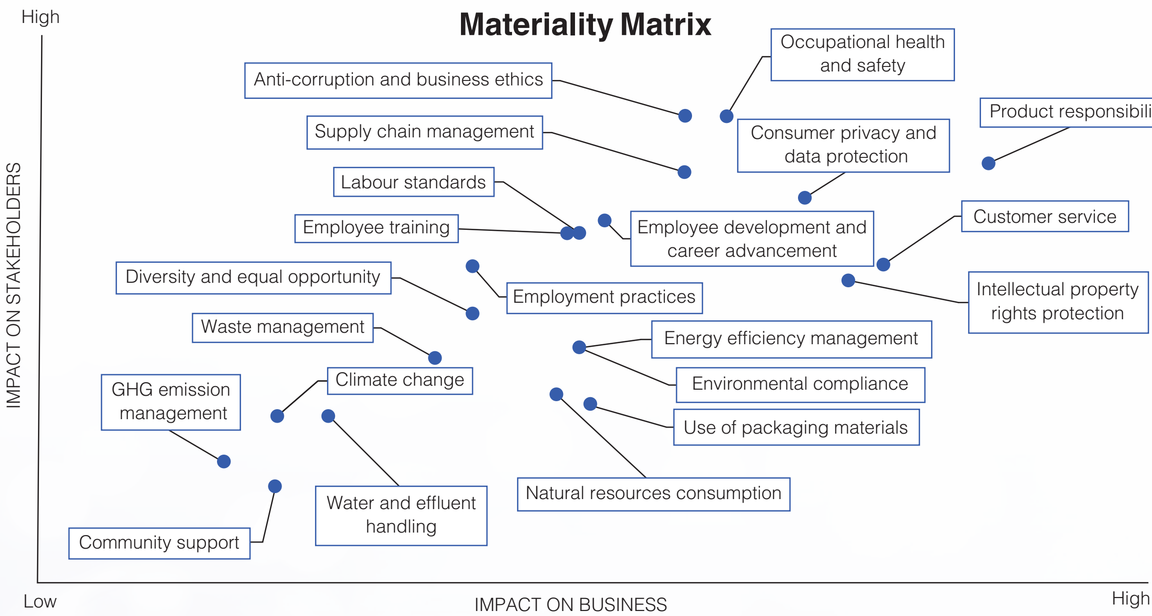
Environmental, Social and Governance Report

The procedures for the materiality assessment are as follow:

Step 1: Identification — With reference to the sustainability topics listed in the ESG Reporting Guide and GRI Standards and the issues of concern to industry peers, 21 ESG issues were identified based on their impact on the decision-making of stakeholders and our business operations:

<table>
<tr><th colspan="3">ESG Aspects</th><th>No.</th><th>ESG Issues</th></tr>
<tr><td colspan="2" rowspan="9">Environmental</td><td rowspan="3">A1. Emissions</td><td>1</td><td>Environmental compliance</td></tr>
<tr><td>2</td><td>Greenhouse gas ("GHG") emission management</td></tr>
<tr><td>3</td><td>Waste management</td></tr>
<tr><td rowspan="3">A2: Use of Resources</td><td>4</td><td>Energy efficiency management</td></tr>
<tr><td>5</td><td>Water and effluent handling</td></tr>
<tr><td>6</td><td>Use of packaging materials</td></tr>
<tr><td>A3: The Environment and Natural Resources</td><td>7</td><td>Natural resources consumption</td></tr>
<tr><td>A4: Climate Change</td><td>8</td><td>Climate change</td></tr>
<tr style="display:none"></tr>
<tr><td rowspan="13">Social</td><td rowspan="6">Employment and Labour Practices</td><td rowspan="2">B1: Employment</td><td>9</td><td>Employment practices</td></tr>
<tr><td>10</td><td>Diversity and equal opportunity</td></tr>
<tr><td>B2: Health and Safety</td><td>11</td><td>Occupational health and safety</td></tr>
<tr><td rowspan="2">B3: Development and Training</td><td>12</td><td>Employee training</td></tr>
<tr><td>13</td><td>Employee development and career advancement</td></tr>
<tr><td>B4: Labour Standard</td><td>14</td><td>Labour standards</td></tr>
<tr><td rowspan="6">Operating Practices</td><td>B5: Supply Chain Management</td><td>15</td><td>Supply chain management</td></tr>
<tr><td rowspan="4">B6: Product Responsibility</td><td>16</td><td>Product responsibility</td></tr>
<tr><td>17</td><td>Customer service</td></tr>
<tr><td>18</td><td>Consumer privacy and data protection</td></tr>
<tr><td>19</td><td>Intellectual property rights protection</td></tr>
<tr><td>B7: Anti-corruption</td><td>20</td><td>Anti-corruption and business ethics</td></tr>
<tr><td>Community</td><td>B8: Community Investment</td><td>21</td><td>Community support</td></tr>
</table>

Step 2: Prioritisation — To determine the materiality of the ESG issues, we have assessed and scored the relevance or importance of each ESG issue with the distribution of the survey to collect opinions of the relevant key stakeholders on a scale of 1 (the least important) to 6 (the most important). The 21 ESG issues were prioritised and plotted on the following materiality matrix according to their relative degree of importance in order to assess the materiality. Vertical axis of the below materiality matrix shows the result of external assessment (impact on stakeholders), and horizontal axis presents the internal assessment result (impact on business). The ESG issues that fall within top right-hand quadrant are of greatest importance.



Step 3: Application — According to the materiality matrix, "Product responsibility", "Customer service", "Intellectual property rights protection", "Occupational health and safety" and "Consumer privacy and data protection" were identified as issues of higher importance. The results of this material assessment were used to guide our disclosure alignment, as well as strategic planning and risk management. The Group's responses to these important issues have been elaborated in more details in the following sections of the Report. Looking forward, the Group will continue to enhance its ESG governance and performance in response to stakeholders' expectations on the Group.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

PC Partner Dongguan's business operations are manufacturing-based, in which significant emissions are mainly related to its electricity consumptions. Despite the inevitable but insignificant environmental impact the PC Partner Dongguan's operations has made to the environment, it actively integrates green protection concepts and implements a series of environmental protection measures into its daily manufacturing operations to achieve the goal of alleviating adverse impacts on the environment. PC Partner Dongguan has spent significant effort in reducing its energy and water consumption, carbon emission and waste disposal, and has taken initiatives to achieve long-term sustainability in business and environment.

A1. Emissions GRI 2, 3, 305, 306

As PC Partner Dongguan is principally engaged in manufacturing business, there is a certain level of air pollutant, such as nitrogen oxides ("NOx"), sulphur oxides ("SOx") and particulate matter ("PM") generated, as well as an insignificant volume of hazardous waste produced during the manufacturing operations. With the increased natural gas consumption attributing to the emissions from the newly added factory, as well as the higher vehicle usage and various activities associated with the ongoing pandemic recovery during 2023, there was an increase in emission of air pollutants as compared to 2022. The major emissions of PC Partner Dongguan are GHG emissions and solid wastes generated from its daily operations.

Environmental Compliance

In strict compliance with the laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Air Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), and the Emission Standard for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》), PC Partner Dongguan has formulated GHG Management Guideline (《溫室氣體管理指引》), Exhaust Gas Control Procedure (《廢氣控制程序》), Waste Effluent Control Procedure (《廢水廢液控制程序》), Litter Control Procedure (《廢棄物管理程序》), and Litter Management Guideline (《廢棄物管理工作指引》) to provide guidance for its staff on managing the emissions and wastes produced from the manufacturing operations. During the Reporting Period, there was no non-compliance regarding emissions that has brought against the Group or PC Partner Dongguan.

GHG emission management

Electricity is the key source of energy of PC Partner Dongguan's business and its major source of GHG emissions. This is attributed to the uses of tin furnaces and soldering furnaces, kitchen exhaust systems and generators during the daily operations. Other minor sources of emissions include the paper waste disposed at landfills and the fuel consumed by the business air travels by our employees.

To show the commitment in managing its emissions, PC Partner Dongguan has made enormous efforts by implementing the following measures to reduce discharges and emissions, and enhance energy efficiency:

Measures for reducing discharges and emissions	**Measures for enhancing energy efficiency**
1. Improving operation schedules to reduce the number of operating hours and hence emissions; 2. Streamlining production plans to boost production efficiency and shorten production time; 3. Installing emission reduction facilities (e.g. emission filters installed in generators and kitchen, air filters are installed in tin furnaces and soldering furnaces) to cut down emissions; 4. Carrying our regular maintenance and repair for the environmental equipment to ensure proper functioning; 5. Applying nitrogen welding technology to reduce tin oxidisation in order to reduce tin wastage significantly; recasting scrap tin into tin bars (recovery rate: 90% above) for reuse to reduce waste; 6. Shortening the kitchen time with better arrangement on cooking; and 7. Reducing the number of business air travels and using alternative means of communication by teleconference or video conference to replace meetings and trainings which requires long travelling.	1. Continuously enhancing the usage of production equipment to reduce electricity consumption; 2. Continuously enhancing the layout of workshops and production lines according to the capacity needs to improve energy efficiency; 3. Enhancing modification and maintenance of equipment with heavy energy consumption, such as air conditioners and air compressors while setting temperature limit for use of air conditioner; 4. Retiring of old machinery and equipment and replace by new equipment with a great energy efficiency; and 5. Pay attention to electricity saving for machinery and equipment not in use in the process of manufacturing.

Environmental, Social and Governance Report

During the Reporting Period, PC Partner Dongguan's total GHG emissions per million HK$ of cost of production output increased by 29.79% from 1.1137 tonnes of CO_2 per million HK$ of cost of production output in 2022 to 1.4455 tonnes of CO_2 per million HK$ of cost of production output in 2023, attributing to the inclusion of natural gas consumption and purchased electricity consumption from the newly added factory, as well as the higher vehicle usage and various activities associated with the ongoing pandemic recovery during 2023.

Meanwhile, PC Partner Dongguan's atmospheric emissions from tin furnaces, soldering furnaces and kitchens successfully passed the annual compliance tests undertaken by the third-party professional organisations on the standards in China (e.g. Emission Limits of Air Pollutants (DB44/27–2001), Integrated Emission Standard of Air Pollutants (GB16297–1996), and Emission Standard of Cooking Fume (GB18483–2001).

In 2022, PC Partner Dongguan has set a target for 2023 to reduce GHG emissions per million HK$ of cost of production output by 1% using 2022 as the baseline year. Considering the same reporting scope as in 2022, there was a decrease in total GHG emissions in 2023 as resulted from the relevant factory, while there was an increase in GHG emissions intensity due to the decrease in the production volume and the cost of production output in 2023, leading to the target not being achieved. In addition, the increase in the total GHG emissions and its intensity in 2023 is mainly due to the increased consumption attributing to the newly added factory, as well as the higher vehicle usage and various activities associated with the ongoing pandemic recovery during 2023. The Group will continue to aim to reduce or maintain GHG emissions per million HK$ of cost of production output for the financial year ended 31 December 2024 ("2024"). Looking forward, PC Partner Dongguan will continue to implement necessary measures to reduce the GHG emissions.

Waste management

Non-hazardous waste

Waste paper and waste plastic are PC Partner Dongguan's major sources of non-hazardous waste, which are often produced during its production process and from its household garbage. Employees' daily activities also generate a small amount of non-hazardous domestic wastewater. Guided by our Litter Control Procedure (《廢棄物管理程序》) and Litter Management Guideline (《廢棄物管理工作指引》), non-hazardous waste generated from the production process is sorted and sold to respective recyclers, and any improper disposal of recyclable and reusable non-hazardous waste is strictly prohibited. Household garbage is brought to a central collection point and transported to municipal refuse treatment organisations for further processing. PC Partner Dongguan has also made considerable efforts in controlling the consumption and production of non-hazardous waste by implementing the measures below:

- Employees are reminded to adopt two-sided printing, reuse single-side used paper, adopt electronic means of communications (such as email, mobile and website) and use e-version of documents;

- Recyclable and reusable waste is collected and transported to green service providers for recycling and reuse;

- Waste paper and waste plastic that cannot be recycled directly are sold to respective recyclers for processing into reusable materials;

- Household solid waste is collected and transported to municipal environmental service providers for neutralisation treatment; and

- Household wastewater is discharged to the municipal sewer system for treatment and tested every year to ensure compliance with discharge standards.

During the Reporting Period, PC Partner Dongguan produced 0.0075 tonnes of non-hazardous waste per million HK$ of cost of production output, representing an increase of 27.12% as compared to 2022 due to the increased amount of non-hazardous waste produced attributing to the newly added factory. The wastewater generated from cleansing was collected and transported to qualified service provider for neutralisation treatment. Besides, the sewage treatment facilities at PC Partner Dongguan have been implemented to enhance wastewater management, allowing for its purification and subsequent reuse.

In 2022, PC Partner Dongguan has set a target for 2023 to reduce non-hazardous waste produced per million HK$ of cost of production output by 1% using 2022 as the baseline year. However, the Group did not achieve this target mainly due to the increased amount of non-hazardous waste produced attributing to the newly added factory in 2023, leading to a higher generation of non-hazardous waste. The Group will continue to aim to reduce or maintain non-hazardous waste produced per million HK$ of cost of production output for 2024.

Hazardous waste

Except for non-hazardous waste, the manufacturing process of PC Partner Dongguan also generates hazardous waste, including the activated carbon, PCB trims and other waste materials associated with the industrial wastewater treatment process. A tracking and treatment process was established by PC Partner Dongguan to handle the hazardous waste, all of which is delivered to green service providers for neutralisation treatment in accordance with laws and regulations in China. Apart from verifying the qualifications of the green service providers, audits were also performed to ensure they meet the selection criteria, and continue working towards the target to minimise and ultimately eliminate all wastes.

During the Reporting Period, PC Partner Dongguan generated 0.0045 tonnes of hazardous waste per million HK$ of cost of production output. Such increase was primarily due to the introduction of a new waste gas treatment facility, leading to the generation of hazardous waste in the form of activated carbon. The operational industrial wastewater treatment facility also generated related hazardous waste, including waste filter bags and concentrated solution.

Environmental, Social and Governance Report

In 2022, PC Partner Dongguan has set a target for 2023 to reduce hazardous waste produced per million HK$ of cost of production output by 1% using 2022 as the baseline year. However, the Group did not achieve this target due to introduction of new waste management facilities. The Group will continue to aim to reduce or maintain hazardous waste produced per million HK$ of cost of production output for 2024.

General waste reduction measures

In addition to the above measures specifically for non-hazardous waste and hazardous waste, PC Partner Dongguan has also implemented the general waste reduction measures for both non-hazardous waste and hazardous waste, including:

- Continuously reducing waste through the improvement of production techniques. For example, introducing cleaning-free technique to minimise the use of chemicals, and using nitrogen welding technology to reduce tin waste;
- Using improved techniques and pollution-free chemicals to replace heavy-polluting ones for waste reduction;
- Adopting simple packaging on packaging design with less raw materials and reduced packaging waste for finished products;
- Promoting office automation operations or working environments through the development of various office automation software to reduce the use of paper;
- Providing trainings to employees to increase their environmental awareness. For example, staff are encouraged to use less disposable goods and containers; and
- Undertaking management initiatives to encourage the reduction in water use so as to reduce the amount of household wastewater.

A2. Use of Resources GRI 2, 3, 301, 302, 303

PC Partner Dongguan strives to "reduce consumption, optimise efficiency and protect the environment". It proactively responds to the call for saving energy and reducing emission by the state and complies with relevant laws and regulations, including but not limited to Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Clean Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》). In response to these laws and regulations, PC Partner Dongguan has formulated the Energy Management Procedure (《能源管理程序》) to provide guidance to optimise the use of resources. PC Partner Dongguan actively encourages saving resources and energy and cultivates a green office concept among employees. Furthermore, PC Partner Dongguan reviews and assesses the efficiency, effectiveness and result of its energy management system over its production process from time to time to help strike a good balance between environmental protection and business growth.

Energy efficiency management

PC Partner Dongguan's direct energy consumption is mainly from the use of natural gas and petrol by canteens and company vehicles respectively, while indirect energy consumption during daily operations is mainly from purchased electricity. PC Partner Dongguan takes a series of energy-saving measures to achieve efficient use of resources, such as using solar panel for electricity in factory dormitory, investigating the use of electricity of each premise and activity to optimise the use of electricity through upgrades and better scheduling of production, lighting, air-conditioning and so forth.

During the Reporting Period, PC Partner Dongguan consumed 2,556.32 kWh of energy per million HK$ of cost of production output, representing an increase of 29.89% as compared to 2022 mainly attributable to the increase in consumption of direct energy.

In 2022, PC Partner Dongguan has set a target for 2023 to reduce energy consumption per million HK$ of cost of production output by 1% using 2022 as the baseline year. Considering the same reporting scope as in 2022, there was a decrease in total energy consumption in 2023 as resulted from the relevant factory, while there was an increase in total energy consumption intensity due to the decrease in the production volume and the cost of production output in 2023, leading to the target not being achieved. In addition, the increase in the total energy consumption and its intensity in 2023 is mainly due to the increased consumption attributing to the newly added factory, as well as the higher vehicle usage and various activities associated with the ongoing pandemic recovery during 2023. The Group will continue to aim to reduce or maintain energy consumption per million HK$ of cost of production output for 2024. PC Partner Dongguan will continue to take various energy saving and optimisation measures as mentioned in Aspect A1 above such as reviewing the electricity using practice of employees in its premise and activity, advocating the employees to save energy, and replacing the aged manufacturing equipment with energy efficient equipment, in an effort to further reduce and optimise energy consumption in the future years.

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Water and effluent handling

Owing to the business and operation nature, water is rarely being used for production of products in the manufacturing operations. Meanwhile, it is mainly used by employees on their daily living activities in the premises which comes from local municipal water supply. Therefore, the water policy focuses on encouraging the employees to save water through setting water consumption target for each premise, and keep upgrading the facilities to reduce the water wastage and consumption. As the water consumption was relatively low, and the local municipal water supply was stable, no issue was noted in terms of sourcing water in 2023.

To achieve the water consumption target, PC Partner Dongguan formulated comprehensive yearly water efficiency initiatives, such as improving water consumption facilities and reusing the water for cooling down the air-conditioners in the premises. Such initiatives improve water efficiency principally through better water-saving management and water consumption facilities. During the Reporting Period, PC Partner Dongguan consumed 25.1015 cubic metres of water per million HK$ of cost of production output, representing an increase of 28.47% as compared to 2022 due to the inclusion of water consumption from the newly added factory.

With the implementation of sewage treatment facilities, PC Partner Dongguan has been able to reuse water on its premises. In 2022, PC Partner Dongguan has set a target for 2023 to reduce water consumption per million HK$ of cost of production output by 1% using 2022 as the baseline year. Considering the same reporting scope as in 2022, there was a decrease in total water consumption in 2023 as resulted from the relevant factory, while there was an increase in water consumption intensity due to the decrease in the production volume and the cost of production output in 2023, leading to the target not being achieved. The Group will continue to aim to reduce or maintain water consumption per million HK$ of cost of production output for 2024. Looking forward, it will continue to dedicate resources to improve the water consumption efficiency as one of the sustainable growth targets.

Use of packaging materials

PC Partner Dongguan uses various kinds of packaging materials and components in its production process. Designers consider environmental friendliness when designing the packaging in order to minimise the use of materials as long as the packaging serves its purpose, and putting the best efforts to choose recyclable or environmentally friendly materials to reduce the impact on the environment. Materials have been chosen carefully since all materials used to conform with all relevant laws and regulations and customers' requirements, such as the Restriction of Hazardous Substances ("RoHS") directive and the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulations, in order to reduce the impact to the environment.

During the Reporting Period, 0.1949 tonnes of packaging material per million HK$ of cost of production output were used for finished goods, representing a decrease of 7.89% as compared to 2022 due to the reduction in packaging material usage for PC Partner Dongguan's operations.

A3. The Environment and Natural Resources GRI 2, 3, 303, 305, 306

Natural resources consumption

As disclosed above, the environmental impacts brought by PC Partner Dongguan include but are not limited to the emissions of GHG associated with business air travels, usage of electricity and the consumption of paper during its office operations, thus PC Partner Dongguan's impacts on the environment and natural resources are limited. PC Partner Dongguan will continue to assess the environmental risks of its business, review its environmental practices, adopt more resource-saving and environmentally friendly measures to minimise its impacts on the natural environment as well as to comply with the laws and regulations applicable to PC Partner Dongguan's emissions and use of resources. Policies such as the GHG Management Guideline (《溫室氣體管理指引》), the Exhaust Gas Control Procedure (《廢氣控制程序》), the Waste Effluent Control Procedure (《廢水廢液控制程序》), the Litter Control Procedure (《廢棄物管理程序》), the Litter Management Guideline (《廢棄物管理工作指引》) and the Energy Management Procedure (《能源管理程序》) were formulated to ensure that PC Partner Dongguan's impacts on the natural environment and resources can be minimised.

PC Partner Dongguan has taken actions to minimise reliance on natural resources such as oil and natural gas and place more reliance on environmental friendly energy such as solar energy, by setting up roof-top solar panels to generate heat for hot water consumption in the factory dormitory. PC Partner Dongguan keeps reducing paper consumption in daily business and operation by upgrading the office automation system to reduce paper consumption. PC Partner Dongguan has started to adopt more environmentally friendly packaging materials with less paper applied on finished products packaging of the brand products. Packaging has been redesigned for a more compact size in order to consume less paper and plastic. All these actions to reduce consumption of natural resources have been embedded in the daily business and operation.

A4. Climate Change GRI 2, 3, 201

Although the business operations of PC Partner Dongguan generate limited GHG, it believes that the issue of climate change could only be sufficiently addressed with wide participation from each entity and individual. PC Partner Dongguan has formulated relevant policy to incorporate and manage climate-related risks in its internal control and risk management system. To cope with the intensified threat of climate change, the Group has assessed the potential risks that may arise from its business operations.

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Physical risks

Climate change is gradually being concerned as it not only rises average temperatures but also extreme weather events, such as strong typhoons and floods, which may interrupt the water and electricity supplies, damage the Group's properties, as well as threaten the safety of its employees. This may cause interruption to the normal business operations and thus lead to higher operating cost of the Group. Climate change may also shift wildlife populations and habitats, cause a rise in sea levels, and lead to a range of other impacts. The climate crisis is undeniable and GHG, which trapped heat on earth and caused global warming, could be one of the major contributors to climate change.

As a mitigation, insurance plans are in place to safeguard PC Partner Dongguan's employees and assets. PC Partner Dongguan and its employees will continue their commitment to mitigating the effects of climate change by further reducing the GHG emission and power consumption in daily business and operation.

Transition risks

In the PRC government's 14th Five-Year Plan, it has issued an action plan for the country to peak carbon emissions before 2030, in which it restated the country's climate goals for 2025 and 2030. The regulation namely Measures for the Administration of Carbon Emissions Trading (for Trial Implementation) (《碳排放權交易管理辦法(試行)》) was also launched by the PRC government with effective from February 2021, aiming to promote green and low-carbon development and encourage more GHG emissions reductions. Although PC Partner Dongguan has not received any instruction from the government on these matters, there is possibility that the government would place instructions or restrictions on GHG emission in the near future. Moreover, it is expected that policies and regulations of the HKEx related to climate change will be stricter. If PC Partner Dongguan's existing compliance procedures and business operations could not fully comply with the new legal and regulatory requirements, it might incur additional compliance costs and adversely affect the reputation of the Group.

In response to the policy and legal risks, as well as the reputation risks, PC Partner Dongguan regularly monitors existing and emerging trends, policies and regulations that are relevant to climate to avoid cost increments, non-compliance fines or reputational risks due to delayed response. It will explore more comprehensive solutions for energy saving and use of resources, to be in line with the national development of energy policies. When and where necessary, the top management will be alerted, and compliance advisory services will be obtained. In order to enhance resilience to climate-related risks, PC Partner Dongguan will continue to assess the effectiveness of its actions to incorporate climate change into its development plans.

B. SOCIAL

In order to maintain competitiveness in the industry in the long run, the Group has been making every effort to protect employee interests and rights and guarantee a working environment that allow employees to manifest their values, share their knowledge and innovate. At the same time, the Group aims to fulfil its corporate social responsibility by constantly giving back to its employees and showing compassion to society.

B1. Employment GRI 2, 3, 401, 405, 406

Employment practices

The Group recognises that its success depends on the contribution and performance of every employee, therefore, the Group pays attention to the diversified composition of employees and cares about the employees' career development. In accordance with the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Group has formulated the human resources policy and employee handbook to regulate the recruitment process and standards, promotion system and termination procedures to ensure all employees are treated as equals and discriminated treatments based on gender, age, ethnicity or religion are opposed. The company also conducts labour risk assessments and implements corresponding measures to mitigate these risks and consider various aspects, including but not limited to labor recruitment, working hours and rest, wages, and benefits. These efforts are aimed at safeguarding the well-being of the employees.

As at 31 December 2023, the total number of employees of the Group reached 2,490 (2022: 2,714) where 182, 2,210 and 98 employees were situated in Hong Kong, PRC and rest of the world respectively.

Recruitment, promotion and dismissal

The Group rationalises its recruitment requirements based on the development needs of its strategic businesses. Its recruitment procedures are standardised to specify selection criteria and job qualifications of each position, which specifically request the integrity, academic achievements, expertise and relevant experience for the respective positions and potential for further development. Interview assessment criteria have also been developed based on different levels so as to ensure all candidates are treated fairly.

The Group has also set up a sound appraisal system to appropriately remunerate and recognise the efforts devoted by performing staffs. Remuneration packages are reviewed annually and adjusted with reference to the trends of labour market in different countries and staff individual appraisal review. Based on standardised rating guidelines, the management of the Group conducts regular appraisal with employees individually with reciprocal discussion on expectation and results about the performance. The remuneration increment reflects each employee appraisal result respectively with reference to the market standard. Promotion reviews are conducted upon performance appraisal by management on a regular basis.

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To achieve and maintain standards of conduct and ensure consistent and fair treatment, the Group highlights education and takes punishment as a complementary measure to employees who are not discipline. Formal verbal warnings would be given for unsatisfactory performance or breach of company rules and improvement is expected to occur in a specified period of time. If a further offence occurs, a formal written warning would be issued, which specifies the reason of warning and improvement required. In cases of serious misconduct or recurring failure to meet the standards of performance, prior notices or payment in lieu of notice would be given to the employees involved concerning the termination of their employment contracts.

Working hours and rest periods, compensation, benefits and welfare

The Group encourages employees to maintain work-life balance and ensure employees adequate rest and maintain their well-being and health, therefore, the Group allocates its employees' responsibilities properly so that they can fulfil their duties within pre-defined working hours. The manufacturing plant in the PRC also runs on a shift system approved by local labour department, so that the working hours of labour can be arranged flexibly based on the work needed. When overtime work is needed, employees are provided with compensatory rest or overtime pay in accordance with the local laws and regulations, including the Minimum Wage Ordinance and Employment Ordinance of Hong Kong, and the Regulation on Paid Annual Leave for Employees (《職工帶薪年休假條例》). Regulations on Wage Calculation and Benefits (《工資計算與福利規定》) as adopted by the Group also outlines the employee benefits and holiday entitlements, serving as a channel for employees to understand wage calculations and the benefits offered by the Group.

Apart from the statutory welfare and holidays, maternity or paternity leave and annual leave the Group offers to its employees in accordance with the Employee Handbook and the relevant local laws and regulations, the Group's employees are also entitled to a comprehensive set of medical insurance benefits together with compassionate leave. Besides, the Group makes various compensation and social insurance contributions for its employees in accordance with the Employees' Compensation Ordinance and Mandatory Provident Fund Scheme Ordinance of Hong Kong, and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). Employees can also enjoy employee purchase discounts for the Company's products, and a comprehensive set of insurance benefit, including medical, employee compensation, business travel and personal accident insurance.

To strengthen the linkage between remuneration and performance and to ensure the employees' remuneration grows with the Group's performance, the Group offers discretionary annual allowances or year-end with an aim to recognise and reward eligible employees for their excellent performance and contributions for the year. The Group also grants share option so that outstanding employees may have chance to be awarded with shares of the Group to share the growth of the Group.

Diversity and equal opportunity

The Group advocates diversity among employees and complies with applicable ordinances in Hong Kong and the PRC regarding equal employment opportunities including the Discrimination Ordinances of Hong Kong, the Hong Kong Bill of Rights Ordinance, and the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) to ensure discriminations against employees owing to their race, colour, religion, marital status, national origin, sex, physical disability or age are prohibited. The Group has policies in place to eliminate any discrimination in the workplace as well as governing the recruitment process to ensure equal employment, and strive to aid employees who are disadvantaged in competition to enjoy alternative development opportunities. As stipulated in the Group's Employee Handbook, harassment or any form of conduct that may cause employees embarrassed or uncomfortable at work are strictly prohibited. During the Reporting Period, there was no incident reported from staff related to workplace discriminations.

Employees communication

The Group places emphasis on communication with employees and their feedback. To ensure a smooth channel for employee complaints, PC Partner Dongguan has established the Regulations for Grievances, Complaints, and the Prevention of Retaliation (《申訴，投訴及杜絕打擊報復規定》). These regulations are designed to guide internal employees in utilising internal complaint mechanisms in a reasonable and effective manner and to regulate the handling of internal employee complaints. The Group values open communication with employees and actively encourages them to provide feedback and raise concerns through appropriate channels. By establishing a framework for addressing complaints and preventing retaliation, it aims to create a supportive and inclusive work environment where employees feel comfortable expressing their opinions and reporting any issues they may encounter.

B2. Health and Safety GRI 2, 3, 403

Occupational health and safety

The Group cares about the well-being of its employees and considers occupational health and safety as the its utmost priority for successful corporate operation. The Group fully abides by the Occupational Safety and Health Ordinance of Hong Kong, the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Control Law of the People's Republic of China (《中華人民共和國消防法》), the Regulation on Work-Related Injury Insurance (《工傷保險條例》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (《生產安全事故報告和調查處理條例》), and has fulfilled the requirements of the Responsible Business Alliance ("RBA") (《負責任商業聯盟》) standards in PRC on top of the local labour laws and regulations. In the manufacturing plant, annual internal audit would be conducted on occupational safety, hygiene, labour interests, ethics and other social responsibilities in accordance with the requirements of the ISO45001 and RBA standards.

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The Group has put in place the occupational health and safety policy and procedures, which are certified by ISO45001 to provide guidance on handling accidents, work injuries, fire evacuations and emergencies. Employees are expected to exercise reasonable care and attention and avoid taking any undue risk that might lead to an accident or injury. Any work injury or accident cases would be investigated, and improvement measures would be implemented in order to prevent future occurrences. The Group has also implemented assessment procedures in terms of occupational hygiene, safety, labour rights and ethical risks to assure that such risks are well identified and mitigated. Besides, safety leaflets are always available in the offices to provide employees information and advice on occupational safety. In order to align with the requirements of the ISO45001 and RBA standards, the Group strived to integrate the requirements of the ISO45001 and RBA standards into the current health and safety policies. The Group continues to evaluate the compliance level to ensure that business operations and activities meet the requirements of all relevant laws, regulations and standards, and to assure a consistent implementation of all health and safety policies with clear guidelines and procedures, division of responsibilities and broad staff training. The Group will update policies, practices, training materials and internal audit documents and tools in the related areas in an ongoing basis.

In the past three years including the Reporting Period, the Group achieved zero work-related fatalities, and the work-related fatality rate is 0%. However, 5 work-related injuries with 325 lost days due to work-related injuries were recorded during the Reporting Period (2022: 0 work-related injuries with 0 lost days).

B3. Development and Training GRI 2, 3, 404

Employee training

To cope with PC Partner Dongguan's pace of growth, PC Partner Dongguan has formulated Training Policy and continued to conduct various internal trainings for its employees which enables the employees to attain the necessary skills and knowledge, flexibly and quickly adapt to the ever-changing environment and achieve career development. A decentralised approach is adopted in managing the training and development programs to meet the needs of employees in PC Partner Dongguan. For example, trainings on quality and occupational safety and health are provided to quality management officers and technicians. PC Partner Dongguan also continued to roll out an internal education certification project targeting at frontline staff in 2023 to increase their comprehensive knowledge in factory management and expertise, thereby facilitating their career development. After years of efforts, an effective staff development and training programme has been established and is well-received by staff. Besides, new employees are also required to attend an introduction training session in order to gain a certain understanding of the company policies, procedures and operating systems.

During the Reporting Period, PC Partner Dongguan organised several training events (excluded the induction training for new employees). Approximately 92.36% of the employees in PC Partner Dongguan have been provided with training and an average of approximately 14.04 hours of training have been completed by each employee. PC Partner Dongguan will continuously invest resources in providing various types of training to our employees in order to improve their professional competencies.

Employee development and career advancement

PC Partner Dongguan offers financial support to employees to encourage them to participate external training programme, such as cultural and technical certification programmes that will support their career aspirations in their leisure time, and they have obtained their certifications through such support. The conditions are also specified under the Policy on External Training and Subsidy (《培訓及進修資助政策(外)》). PC Partner Dongguan ensures the effective communication with employees and also provides them with essential RBA-related knowledge, as specified under the RBA Training Management Procedure (《RBA培訓管理程序》).

B4. Labour Standards GRI 2, 3, 407, 408, 409

The Group places great emphasis on fairness and strictly prohibits child and forced labour in the Group in accordance with the applicable laws and regulations such as Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of the Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》). In compliance with these laws and regulations, the Group's Employee Handbook requires the Human Resources and Administration Department to verify the identification of job seekers during the recruitment process to ensure the authenticity of the documents and that they have reached the legal working age.

To avoid forced labour, the Group also set out provisions in the Employee Handbook on working hours, overtime work arrangements, leaves entitlement and remuneration policies. Relevant guidelines are also expressly stipulated in the RBA Work Instruction (《RBA工作指引》) such as the Regulations on Recruitment Process and Freedom of Choice of Employment (《招聘流程及自由擇業規定》) of PC Partner Dongguan in order to safeguard freedom of choice of occupation by standardising the recruitment process. Meanwhile, in order to protect the physical and mental health of children and regulate the recruitment process, PC Partner Dongguan has also established the Regulations for the Management and Control of Child Labour and Underage Workers (《童工和未成年工管理控制規定》), outlining the procedures related to recruitment and relevant measures taken when violations are discovered.

Besides, whistle-blowing channels are in place to allow employees to give comments and express feelings about their work or any abnormality in workplaces, such as child or forced labour. The Group will terminate the employment contract with child labour right away in case discovered, then a detailed review of the recruitment procedures will be conducted to avoid wrongful recruitment of child labour in future. The Group respects employees, ensures labour interests are protected, and prohibits any forced labour practice. The Group will investigate any discovered forced labour case and take corrective action to protect the best interests of employees in accordance with laws and regulations.

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Respect for human rights

In addition to local legal compliance, the Group respects internationally recognised human rights relevant to its operations and requires its business partners and suppliers to do the same. The Group's commitment to upholding human rights is integrated in the RBA Work Instruction (《RBA工作指引》). Various channels are in place for employees to express comments or grievances relating to non-conformance with the prevailing management system, behaviour that may be detrimental to their personal interest or that of the Group. To address the grievances, standardised grievance mechanism and procedures are clearly outlined as remediation of the negative impacts. Under the policy, while valid complaints will be duly dealt with, the identity of the complainant is kept confidential in order to prevent revenge.

Every employee is entitled to the freedom of assembly and right of collective bargaining without the Group' interference, irrespective of his or her ethnicity, sex, position, religious belief, education background, age and so on. They are allowed to organise and join labour unions and will not be punished or discriminated against for joining labour unions, such as being rejected for employment, being threatened with dismissal, being restricted in promotion or pay raise, being forced to work overtime excessively, or being re-designated to an inferior position. During the Reporting Period, the Group was not aware of any violation or jeopardy of employee's rights to exercise freedom of association or collective bargaining.

Moreover, the responsibilities of a company should not be constrained within its own operations. Due diligence on human rights is conducted in management of supply chain risks. Further details are set out in the section headed "Supply chain risk management" in Aspect B5.

B5. Supply Chain Management GRI 2, 3, 308, 414

The Group strictly controls the fairness of the process of selecting suppliers and promotes standardisation of procurement to ensure a transparent and fair procurement process. Thus, a rigorous set of supplier selection criteria and procurement procedures has been established to select vendors that uphold the highest quality in order to minimise impacts on the environment and society. The Group also follows the industrial requirements closely to ensure that all of the materials and components are fully complied with RoHS directive and REACH regulations.

During the Reporting Period, the Group worked with 574 suppliers in total, including distributors and contractors, around the world, all of which were engaged where the supplier engagement practices are implemented.

Selection and assessment

The Group performs strict selection and assessment procedures in accordance with its procurement policies such as Supplier Management Procedures (《供應商管理程序》) before engaging in business with its suppliers and service providers, such as requiring suppliers to provide certification, documents and samples for laboratory testing to prove of the compliance with RoHS directive and REACH regulations. In addition to those aforementioned as well as financial and quality aspects, suppliers' and service providers' attitude towards the environment and society will also be a part of the assessment criteria. Qualified suppliers would be listed in the Approved Vendor List monitored by the Vendor Qualification Committee. For purchasing direct and indirect materials, a Control Procedure for Procurement Documents (《採購單據控制程序》) has been particularly formulated in order to provide guidance on the control and approval of procurement documents.

Supply chain risk management

Due diligence assessment procedures are conducted on site or in written form for the environmental and social matters include but are not limit to environment protection, occupational health and safety, labour interests, human rights and ethics. During the Reporting Period, on-site inspections have been carried out on 62 suppliers and 22 suppliers with environmental and social impact assessments respectively. The Group does not consider suppliers or service providers who have been in bribery cases or have incurred material safety or environmental incidents. The Group also conducts periodic reviews on the performance of its suppliers and service providers with the objective of better control and assurance on its products quality. Sampling inspections are performed to ensure the quality of materials. Follow-up actions will be taken accordingly when necessary.

Promoting environmentally preferable products

To ensure that the Group's products and services meet environmentally friendly requirements, IECQ QC080000 Hazardous Substance Process Management System has been established and implemented through the production processes. The Group also engages a third-party agency to conduct annual internal audit to assess the ongoing effectiveness of such management system. In addition, the Group has been committed to pursuing the ISO14001 environmental management system as well as the OHSAS18001 occupational health and safety management system. Suppliers have been notified of the requirements in terms of environmental protection, safety and health issues that they are expected to be aligned with. The Group will continue to strengthen its communication and cooperation with the suppliers and service providers in order to maintain a long-term strategic relationship and promote sustainable development of the industry chain.

To ensure that the suppliers fulfil the Group's environmental and social responsibility requirements and are in line with the Group's sustainable development, the Group also offers relevant guidance and communicates with suppliers to let them understand the Group's expectations regarding environmental impact reduction and compliance with regulations and other relevant requirements and requires suppliers to give written undertakings to comply with the Group's social responsibility policies.

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B6. Product Responsibility GRI 2, 3, 416, 417, 418

Comprehensive product safety and quality management mechanism is in place, covering quality management and control, customer services, data confidentiality and customer privacy, and research and innovation, with an aim to ensure continuous improvement in the Group's product quality and service standard and establishing a reliable image to earn the long-term trust of customers on the Group's brands.

Quality control

The Group understands that the high level of standard of product quality and services must be adhered to maintain long-term customer relationship and earn customers' trust. For this reason, the Group strictly controls the quality of products, and keeps an eye on the impact of products to consumers. To safeguard consumers against any possible safety hazard during the use of products, the Group makes sure that these products are safe for use through various safety and reliability tests.

The Group has established a certified quality management system in accordance with the requirements of ISO9001 to regulate the quality management process of production, research and development, strictly control the quality and safety of its products and ensure that customers can use its products with concern. Under the quality management system, the Group carries out quality tests on the products and raw materials in accordance with industry standards and monitors key parameters of the process to ensure its stability and thus safeguard its quality. Engineering and purchasing teams co-operate with suppliers to obtain comprehensive information of each material and component. Such information allows the team to ensure whether the materials contain the relevant prohibited substances that affect the environment and the health of consumers. The Group requests the suppliers to provide laboratory report of materials issued by third-party laboratories and gives warranty to confirm that the materials does not contain restricted substances.

Product recall and return

As guided by the Group's Product Recall Procedures (《客戶退貨處理程序》), in case any product on sale in the market is found to be substandard and has potential safety hazard, the management will take immediate action to initiate recall. The Group has also adopted a product return policy and promises consumers to exchange defective products after sale and provide after sale repair service. In 2023, none of the products has been returned by customers or subject to recalls for safety and health reasons. 1,800 pieces of products were subject to recall due to general defect and have been returned to customers after repairments.

Customer service

The Group strictly follows its Customer Complaint Handling Policy (《顧客投訴處理程序》) to handle after sale product servicing requests on a daily basis and has setup in-house regional or countrywide service centres and 24-hour outsourced service centres to respond to the technical questions and product return requests in case there are quality issues of the products sold under own brands. For Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") products, the Group has teams in the manufacturing plant and in-house sales coordinators to take care of customer requests directly. The above measures ensure the complaints will be investigated and handled with due care. Employees and outsourced staff are well trained to handle client complaints in a prompt and courteous manner. During the Reporting Period, the Group received 4 complaints related to products or services which have all been duly handled in writing with the "Eight-Discipline Corrective/Preventive Action Report". During the Reporting Period the Group did not identify any incident of non-compliance with laws and regulations concerning the provision and use of products or services in relation to the Group.

Customer privacy and data protection

The Group's Regulation on Confidentiality and Protection of Intellectual Property Rights (《保密及保護知識產權規定》) requires all the employees to protect clients' information in a professional and ethical manner in order to preserve the integrity of the Group's relationships with clients and comply with relevant laws and regulation such as Personal Data (Privacy) Ordinance of Hong Kong, the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). Confidential information that are subject to disclosure requirements according to the applicable laws and regulations shall be exchanged internally and exclusively on a "need-to-know" basis. Relevant rules and regulations are also specified in the Business Principles (《商業原則》) requiring employees to observe confidentiality and prevent abuse of data.

Employees are required to participate in trainings in relation to the privacy policy and enter into a privacy agreement upon joining the Group to safeguard the Group's confidential information. The Group classifies confidential information and manages such information according to the respective classification. The Group arranges internal audit of the implementation of these duties each year to ensure the effective execution of the relevant privacy requirements.

During the Reporting Period, there were no complaints received concerning breaches of customer privacy and loss of data.

Environmental, Social and Governance Report

Intellectual property rights protection

The Group respects all intellectual property rights and actively encourages research and innovation. Any plagiarism, violation of intellectual property rights, piracy of any third parties know-how and designs in the design and development are strictly prohibited as stated in the Group's intellectual property policy.

The Group is also committed to protecting its own intellectual properties. Any inventions used or created by employees while carrying out their duties or using the Group's resources to invent, innovate, design, compose or create shall be deemed as intellectual properties of the Group. All staff of the Group shall report their inventions, innovations, designs, compositions or other creations to the Group for a decision on whether to apply for patents or copyrights. The staff are obligated to surrender all files, drafts, designs and other information on their creations to the Group and assist the Group to apply for patents or copyrights for their creations. The Group implements a project management system for the sake to enhance the security of engineering designs on both the ODM/OEM projects and the projects for brand business sector. Data and information would only be able to access with proper authorisation engineering personnel who have assigned to work on the particular projects.

B7. Anti-corruption GRI 2, 3, 205, 415

Anti-corruption and business ethics

The Group attaches great importance to conducting business with the highest level of business ethics and integrity. In order to enhance employees' integrity awareness continuously and comply with applicable laws and regulations including Prevention of Bribery Ordinance of Hong Kong, Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), business ethics policy, the Regulations on Ethical Business Conduct Management (《廉潔經營管理規定》), and the Regulations on the Prohibition of Unfair Interest Regulations (《禁止不正當利益規定》) are established to provide sufficient internal guidelines on preventing potential corruption, bribery and other illegal actions during business transactions amongst stakeholders, such as its employees, customers and suppliers. The Group always upholds the principles of honesty, integrity, uprightness and fairness, and requests all employees to act impartially and fairly and not to abuse their positions for their own or someone else's interests or benefits gain while dealing with customers, suppliers and other third parties. The Group also prohibits its employees or agents from soliciting or receiving any benefits from any party having business transactions with the Group (e.g. customers, suppliers and contractors). During the Reporting Period, there was no financial and in-kind political contributions made directly and indirectly by the Group. During the Reporting Period, there was neither complaint received related to misconduct, malpractices or irregularities nor concluded legal case regarding corrupt practices that has been brought against the Group or its employees.

Whistle-blowing

To enable early identification and handling of corrupt practices with supervision by all employees and related parties, the Group has set up designated whistle-blowing channels to receive complaints from stakeholders. Employees are encouraged to disclose information relevant to misconduct, malpractices or irregularities through the whistle-blowing channels. It is stipulated in the Business Principles (《商業原則》) that the personal information and content of the whistle-blower will be kept confidential in order to prevent revenge, while the relevant complaints will be investigated and evaluated in a fair and proper manner. Solutions will be determined for each case, which may include punishment and legal action against any corruption in breach of the relevant laws and company policies.

Anti-corruption training

The Group requires all employees in Hong Kong and overseas to sign an annual declaration to confirm the compliance of the business ethics policy. Relevant employees are required to enter into an anti-corruption warranty in order to acknowledge the possible consequences of corruption. In 2023, policies and procedures have been disseminated to 5 Directors and 922 employees to get them familiarised with guidance on anti-corruption. The Group also provides training to the employees at least once every year with necessary and updated knowledge to deal with anti-corruption. During the Reporting Period, 822 employees in PC Partner Dongguan attended training workshops for approximately 1,644 hours with discussion on business ethics, common ways of fraud as well as methods of management and prevention of corruption. In addition, the Group also invites Independent Commission Against Corruption to conduct seminars in Hong Kong office to strengthen employees' awareness of corruption. The Group will continue to promote ethical value and culture in workplace.

B8. Community Investment GRI 2, 3, 201, 203

Community support

In active fulfilment of corporate social responsibility, the Group takes into consideration the impact of its business activities might have on the neighbourhood. Under the Business Principles (《商業原則》), the Group places great emphasis on cultivating social responsibility awareness among the staff and encourages them to better serve the community at work and during their personal time. We actively look for the opportunities and focuses on supporting our local communities. During the Reporting Period, HK$7,000 was donated by the Group for the needy.

The Group will continuously support community and environmental programmes that align with the Group's missions and values in the future years.

Environmental, Social and Governance Report

PERFORMANCE DATA SUMMARY

Environmental[1]

KPIs		Unit	2023	2022
A1.1: Emissions of air pollutants GRI 305	NOx	Kilogram ("kg")	**171.80**	127.87
	SOx	Kg	**2.36**	1.62
	PM	Kg	**4.66**	4.49
A1.2: GHG emissions GRI 305	**Scope 1 — Direct GHG emissions**			
	Total direct GHG emissions	Carbon dioxide equivalent emission (in tonnes) ("tCO_2e")	**236.58**	155.79
	Intensity[2] of direct GHG emissions	tCO_2e/million HK$ of cost of production output	**0.0344**	0.0187
	Scope 2 — Energy indirect GHG emissions			
	Purchased electricity	tCO_2e	**9,532.22**	8,946.05
	Total energy indirect GHG emissions	tCO_2e	**9,532.22**	8,946.05
	Intensity[2] of energy indirect GHG emissions	tCO_2e/million HK$ of cost of production output	**1.3842**	1.0738

Notes:

1. Calculation of emission factors for environmental KPIs is based on, including but not limited to "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEx, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Fifth Assessment Report" issued by Intergovernmental Panel on Climate Change, unless otherwise specified in this Report.

2. The factor used for calculating the intensity for relevant environmental KPI is "per million HK$ cost of production output". During 2023, the cost of production output amounted to HK$6,886.23 million (2022: HK$8,331.53 million). The data are also used for calculating other intensity data.

KPIs		Unit	2023	2022
A1.2: GHG emissions GRI 305 (continued)	**Scope 3 — Other indirect GHG emissions**			
	Paper waste disposed at landfills[3]	tCO_2e	**183.45**	177.07
	Business air travel by employees	tCO_2e	**1.84**	Nil
	Total other indirect GHG emissions	tCO_2e	**185.29**	177.07
	Intensity[2] of other indirect GHG emissions	tCO_2e/million HK$ of cost of production output	**0.0269**	0.0213
	Total GHG emissions			
	Total GHG emissions	tCO_2e	**9,954.09**	9,278.91
	Intensity[2] of GHG emissions	tCO_2e/million HK$ of cost of production output	**1.4455**	1.1137
A1.3: Hazardous waste GRI 306	Total hazardous waste produced	Tonnes	**30.92**	6.67
	Intensity[2] of hazardous waste produced	Tonnes/million HK$ of cost of production output	**0.0045**	0.0008
A1.4: Non-hazardous waste GRI 306	Papers[4]	Tonnes	**38.22**	36.89
	General waste	Tonnes	**13.66**	12.37
	Total non-hazardous waste produced	Tonnes	**51.88**	49.26
	Intensity[2] of non- hazardous waste produced	Tonnes/million HK$ of cost of production output	**0.0075**	0.0059

Notes:

3. Formula used for calculation of paper waste disposed at landfills: paper waste in kg x 4.8 kg CO_2 equivalent/kg.

4. The amount of paper in 2022 and 2023 included office paper and paper materials.

Environmental, Social and Governance Report

KPIs		Unit	2023	2022
A2.1: Energy consumption GRI 302	**Direct energy consumption[5]**			
	Diesel	Kilowatt hour ("kWh")	**56,299.02**	186,362.21
	Natural Gas	kWh	**736,243.02**	463,558.87
	Petrol	kWh	**96,432.60**	60,203.39
	Total direct energy consumption	kWh	**888,974.64**	710,124.47
	Indirect energy consumption			
	Purchased electricity	kWh	**16,714,400**	15,686,573
	Total indirect energy consumption	kWh	**16,714,400**	15,686,573
	Total energy consumption	kWh	**17,603,374.64**	16,396,697.47
	Intensity[2] of total energy consumption	kWh/million HK$ of cost of production output	**2,556.32**	1,968.03
A2.2: Water consumption GRI 303	Total water consumption	Cubic metre	**172,855**	162,787
	Intensity[2] of water consumption	Cubic metre/million HK$ of cost of production output	**25.1015**	19.5387
A2.5: Packaging material GRI 301	Total packaging material used for finished goods	Tonnes	**1,342.05**	1,762.94
	Intensity[2] of packaging material used for finished goods	Tonnes/million HK$ of cost of production output	**0.1949**	0.2116

Note:

5. The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

Social

KPIs		Unit	2023	2022
B1.1: Total workforce GRI 2, 405	Total workforce	Number of employees	**2,490**	2,714
	By employment type			
	Full time	Number of employees	**2,484**	2,714
	Part time	Number of employees	**6**	Nil
	By geographical region			
	Hong Kong	Number of employees	**182**	179
	The PRC	Number of employees	**2,210**	2,437
	Rest of the world	Number of employees	**98**	98
	By gender			
	Male	Number of employees	**1,459**	1,540
	Female	Number of employees	**1,031**	1,174
	By age			
	Below 30	Number of employees	**756**	899
	31–50	Number of employees	**1,501**	1,554
	Over 50	Number of employees	**233**	261

Environmental, Social and Governance Report

KPIs		Unit	2023	2022
B1.2: Employee turnover rate GRI 401	Employee turnover rate[6]	%	**49.52**	38.39
	By geographical region			
	Hong Kong	%	**9.34**	18.99
	The PRC	%	**54.62**	39.80
	Rest of the world	%	**9.18**	38.78
	By gender			
	Male	%	**49.83**	41.69
	Female	%	**49.08**	34.07
	By age			
	Below 30	%	**87.17**	59.96
	31–50	%	**36.84**	28.64
	Over 50	%	**9.01**	22.22
B2.1: Number and rate of work-related fatalities GRI 403	Number of work-related fatalities occurred	Number of employees	**Nil**	Nil
	Rate of work-related fatalities occurred	%	**Nil**	Nil
B2.2: Lost days due to work injury GRI 403	Lost days due to work injury	Days	**325**	Nil

Note:

6. Calculation of turnover rate:

$$\frac{\text{Number of employees who left during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

KPIs		Unit	2023	2022
B3.1: Percentage of Employees trained[7]	Percentage of employees trained	%	**92.36**	72.85
	By gender			
	Male	%	**91.47**	70.30
	Female	%	**93.58**	76.10
	By employee category			
	Management	%	**94.60**	90.04
	General staff	%	**92.00**	70.37
B3.2: Average training hours completed[8] GRI 404	Average training hours completed per employee	Hours	**14.04**	11.26
	By gender			
	Male	Hours	**14.62**	11.57
	Female	Hours	**13.24**	10.87
	By employee category			
	Management	Hours	**21.81**	16.32
	General staff	Hours	**12.79**	10.53
B5.1: Number of suppliers GRI 2	Number of suppliers	Number of suppliers	**574**	591
	By geographical region			
	Asia Pacific	Number of suppliers	**370**	395
	The PRC	Number of suppliers	**150**	135
	North and Latin America	Number of suppliers	**40**	47
	Europe, Middle East, Africa and India	Number of suppliers	**14**	14

Notes:

7. Calculation of percentage of employees trained:

$$\frac{\text{Number of employees trained category during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

8. Calculation of average training hours for employees:

$$\frac{\text{Training hours of employees during the reporting period}}{\text{Number of employees at the end of the reporting period}}$$

Environmental, Social and Governance Report

KPIs	**Unit**	**2023**	2022
B6.1: Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	**Nil**	Nil
B6.2: Number of products and service-related complaints received GRI 2, 3, 418	Number of complaints	**4**	5
B7.1: Number of concluded legal cases regarding corrupt practices brought against the Group or its employees GRI 205	Number of cases	**Nil**	Nil
B8.2: Resources contributed to the focus areas of contribution GRI 201	Hong Kong dollars	**7,000**	8,000
	Hours	**Nil**	115.5

HKEx ESG REPORTING GUIDE & GRI CONTENT INDEX

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Participation of board of directors
Reporting Principles	Reporting principles
Reporting Boundary	Report scope and boundaries

Statement of use	PC Partner Group Limited has reported the information cited in this GRI content index for the period from 1 January 2023 to 31 December 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A. Environmental				
A1: Emissions	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1. Emissions	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 305: Emissions 2016 GRI 306: Waste 2020
	A1.1	The types of emissions and respective emissions data.	Performance Data Summary	GRI 305: Emissions 2016
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity.	Performance Data Summary	GRI 305: Emissions 2016
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	A1. Emissions — Waste management, Performance Data Summary	GRI 306: Waste 2020

Environmental, Social and Governance Report

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A1: Emissions (continued)	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	A1. Emissions — Waste management, Performance Data Summary	GRI 306: Waste 2020
	A1.5	Description of emission target(s) set and steps taken to achieve them.	A1. Emissions — GHG emission management	GRI 3: Material Topics 2021 GRI 305: Emissions 2016
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1. Emissions — Waste management	GRI 3: Material Topics 2021 GRI 306: Waste 2020
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	A2.1	Direct and/or indirect energy consumption by type in total (kWh in'000s) and intensity.	A2. Use of Resources — Energy efficiency management, Performance Data Summary	GRI 302: Energy 2016
	A2.2	Water consumption in total and intensity.	A2. Use of Resources — Water and effluent handling, Performance Data Summary	GRI 303: Water and Effluents 2018
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources — Energy efficiency management	GRI 3: Material Topics 2021 GRI 302: Energy 2016

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A2: Use of Resources (continued)	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources — Water and effluent handling	GRI 3: Material Topics 2021 GRI 303: Water and Effluents 2018
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2. Use of Resources — Use of packaging materials, Performance Data Summary	GRI 301: Materials 2016
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the Group's significant impacts on the environment and natural resources.	A3. The Environment and Natural Resources — Natural resources consumption	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3. The Environment and Natural Resources — Natural resources consumption	GRI 3: Material Topics 2021 GRI 303: Water and Effluents 2018 GRI 305: Emissions 2016 GRI 306: Waste 2020

Environmental, Social and Governance Report

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the Group.	A4. Climate Change	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Group, and the actions taken to manage them.	A4. Climate Change	GRI 201: Economic Performance 2016
B. Social				
B1: Employment	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1: Employment — Employment practices	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 406: Non-discrimination 2016
	B1.1	Total workforce by gender, employment type, age group and geographical region.	B1: Employment — Employment practices, Performance Data Summary	GRI 2: General Disclosures 2021 GRI 405: Diversity and Equal Opportunity 2016
	B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary	GRI 401: Employment 2016

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B2: Health and Safety	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.	B2: Health and Safety — Occupational health and safety	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 403: Occupational Health and Safety 2018
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	B2: Health and Safety — Occupational health and safety, Performance Data Summary	GRI 403: Occupational Health and Safety 2018
	B2.2	Lost days due to work injury.	B2: Health and Safety — Occupational health and safety, Performance Data Summary	GRI 403: Occupational Health and Safety 2018
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2: Health and Safety — Occupational health and safety	GRI 3: Material Topics 2021 GRI 403: Occupational Health and Safety 2018

Environmental, Social and Governance Report

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3: Development and Training	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 404: Training and Education 2016
	B3.1	The percentage of employees trained by gender and employee category.	Performance Data Summary	Not directly covered by the GRI Standards
	B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary	GRI 404: Training and Education 2016
B4: Labour Standards	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.	B4. Labour Standards	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 407: Freedom of Association and Collective Bargaining 2016
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards	GRI 3: Material Topics 2021 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016
	B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards	GRI 3: Material Topics 2021 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	B5.1	Number of suppliers by geographical region.	B5. Supply Chain Management, Performance Data Summary	GRI 2: General Disclosures 2021
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5. Supply Chain Management — Selection and assessment	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management — Supply chain risk management	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management — Promoting environmentally preferable products	GRI 3: Material Topics 2021

Environmental, Social and Governance Report

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B6: Product Responsibility	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6. Product Responsibility	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 416: Customer Health and Safety 2016 GRI 417: Marketing and Labeling 2016 GRI 418: Customer Privacy 2016
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility — Product recall and return, Performance Data Summary	Not directly covered by the GRI Standards
	B6.2	Number of products and service related complaints received and how they are dealt with.	B6. Product Responsibility — Customer service, Performance Data Summary	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 418: Customer Privacy 2016
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility — Intellectual property rights protection	Not directly covered by the GRI Standards
	B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility — Quality control	Not directly covered by the GRI Standards
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	B6. Product Responsibility — Customer privacy and data protection	GRI 3: Material Topics 2021

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B7: Anti-corruption	General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.	B7. Anti-corruption — Anti-corruption and business ethics	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti-corruption 2016 GRI 415: Public Policy 2016
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period and the outcomes of the cases.	B7. Anti-corruption — Anti-corruption and business ethics, Performance Data Summary	GRI 205: Anti-corruption 2016
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7. Anti-corruption — whistle-blowing	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti-corruption 2016
	B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption — Anti-corruption training	GRI 205: Anti-corruption 2016

Environmental, Social and Governance Report

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests.	B8. Community Investment — Community support	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Community Investment — Community support	GRI 203: Indirect Economic Impacts 2016
	B8.2	Resources contributed (e.g. money or time) to the focus area.	B8. Community Investment — Community support, Performance Data Summary	GRI 201: Economic Performance 2016

CORPORATE GOVERNANCE REPORT

This Annual Report (this "Report") highlights the best practices that the Company has adopted and explained how the Company has applied the principles of the Code Provisions set out in the Corporate Governance Code ("the Code") as contained in Part 2 of the Appendix 14 (for the period from 1 January 2023 to 30 December 2023) and Appendix C1 (for 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). During the year ended 31 December 2023, the Company has complied with the Code except for the deviation from code provisions C.2.1 and D.2.5 of the Code as described in the relevant sections in this Report.

A. CORPORATE GOVERNANCE PRACTICES

The company believes that good corporate governance is essential for its long-term success and sustainability. It has adopted the Code as the framework for its governance practices and policies. The company continuously reviews and improves its governance practices and policies to align with the changing business environment and stakeholder expectations. The company is committed to upholding the highest standards of corporate governance and ensuring the interests of all its stakeholders.

B. BOARD OF DIRECTORS

Role and Responsibilities

The company's board of directors (the "Board") is collectively responsible for overseeing the strategic direction, risk management, and performance of the company. The Board consists of 10 Directors who have diverse backgrounds, skills, and experience and has established 4 committees to assist the Board in fulfilling its duties and responsibilities. The Board and its committees conduct regular meetings and reviews to monitor the company's operations, financials, compliance, sustainability and risk management. The Board also engages with the senior management and external auditors to ensure the integrity and reliability of the company's information and reporting systems.

During the year, the Board performed the following corporate governance duties:

- established and revised the Group's policies and practices on corporate governance;
- reviewed and monitored the training and ongoing professional development of the Directors and the senior management;
- reviewed and monitored the Group's compliance with legal, statutory, and regulatory requirements;
- created, reviewed and monitored the code of conduct that applies to the employees and Directors; and
- reviewed the Group's compliance with the Code and disclosure in this Report.

The Board delegates management and administration functions of the Group to the senior management. The Board also establishes Board committees and assigns them various duties and responsibilities as stipulated in their respective terms of reference. During the year, each Director has performed his/her duty in good faith, in compliance with the applicable laws and regulations, and acted in the best interests of the Company and its shareholders at all times.

Corporate Governance Report

Board Composition

The Board comprises 10 Directors with diverse professional or management expertise, which includes 5 Executive Directors, 1 Non-executive Director and 4 Independent Non-executive Directors. Composition of the Board is set out in the table below. The Directors have no financial, business, family or other material or relevant relationships among themselves.

The Independent Non-executive Directors attended all the Board meetings and the Board committee meetings during the year. They are professionals with strong backgrounds in finance, law, or information technology. They contributed positively to the Board's affairs through their regular presence and involvement. This Board composition reflects adequate independence among the Directors.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the Independent Non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

Composition of the Board

Executive Directors	Non-executive Directors	Independent Non-executive Directors
• Mr. WONG Shik Ho Tony (Chairman and Chief Executive Officer) • Mr. WONG Fong Pak • Mr. LEUNG Wah Kan • Mr. HO Nai Nap • Mr. MAN Wai Hung	• Mrs. HO WONG Mary Mee-Tak • Mr. CHIU Wing Yui (Alternate Director to Mrs. HO WONG Mary Mee-Tak)	• Mr. IP Shing Hing, *B.B.S., J.P.* • Mr. LAI Kin Jerome • Mr. CHEUNG Ying Sheung • Ms. CHAN Yim

Board Process

The Board meets regularly, at least once per quarter. Throughout the year, the Board convened 7 meetings and achieved almost full attendance. All Directors were present at the Company's annual general meeting on 16 June 2023 (the "2023 AGM"), either in person or electronically. The following table shows the Directors' attendance at the 2023 AGM, the Board, and the Board Committee meetings during the year.

Attendance Record

Directors	Attendance (attended/held)				
	Board meetings	2023 AGM	Board Committee Meetings		
			Audit	Remuneration	Nomination
Executive Directors					
Mr. WONG Shik Ho Tony	7/7	1/1		1/1	1/1
Mr. WONG Fong Pak	7/7	1/1			
Mr. LEUNG Wah Kan	7/7	1/1			
Mr. HO Nai Nap	7/7	1/1			
Mr. MAN Wai Hung	7/7	1/1			
Non-executive Directors					
Mrs. HO WONG Mary Mee-Tak	6/7	1/1			
Mr. CHIU Wing Yui (Alternate Director to Mrs. HO WONG Mary Mee-Tak)	1/7				
Independent Non-executive Directors					
Mr. IP Shing Hing, *B.B.S., J.P.*	7/7	1/1	3/3	1/1	1/1
Mr. LAI Kin Jerome	7/7	1/1	3/3	1/1	1/1
Mr. CHEUNG Ying Sheung	7/7	1/1	3/3	1/1	1/1
Ms. CHAN Yim	7/7	1/1	3/3	1/1	1/1

Corporate Governance Report

Directors' Continuous Professional Development

During the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skill to ensure their contribution to the Board remains informed and relevant. The Company would, on an on-going basis, arrange and fund suitable training for the Directors to develop and refresh their knowledge and skills.

The training each Director received during the year is summarised as below:

	Attending seminars/ in house workshop relevant to the Company's business, Listing Rules compliance, regulatory and statutory updates	Reading newspaper, journals and other relevant materials regarding regulatory update and corporate governance matters
Executive Directors		
Mr. WONG Shik Ho Tony	√	√
Mr. WONG Fong Pak	√	√
Mr. LEUNG Wah Kan	√	√
Mr. HO Nai Nap	√	√
Mr. MAN Wai Hung	√	√
Non-executive 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, *B.B.S., J.P.*	√	√
Mr. LAI Kin Jerome	√	√
Mr. CHEUNG Ying Sheung	√	√
Ms. CHAN Yim	√	√

C. CHAIRMAN AND CHIEF EXECUTIVE

According to code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, for the year ended 31 December 2023, Mr. WONG Shik Ho Tony performed both roles of chairman and chief executive officer. As one of the founders of the Group, Mr. WONG has been actively involved in the Group's daily business operation since its inception. He is in charge of strategic planning and corporate development with the assistance of the other Executive Directors.

The Board consists of 10 Directors. Half of them are Non-Executive Directors (including 4 Independent Non-Executive Directors) with different professional or management expertise and it provides sufficient independent elements in the board composition. Considering that all major decisions are made after thorough discussions by the Board and the Independent Non-Executive Directors have always played an active role in discussion, the Board believes that the current structure is conducive to a strong and balanced corporate management, which is in the best interests of the shareholders of the Company.

D. APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board appointed Ms. CHAN Yim as an additional Independent Non-executive Director on 1 January 2023, in compliance with code provision B.2.4(b) of the Code. Her letter of appointment with the Company is for a fixed term of three years from 1 January 2023, subject to termination by either party with at least three months' written notice. In accordance with Article 112 of the Articles of Association of the Company (the "Articles of Association"), Ms. CHAN retired from office at the 2023 AGM and was re-appointed as an Independent Non-executive Director at the meeting.

The 5 Executive Directors, the Non-executive Director, and the other three Independent Non-executive Directors have each signed a letter of appointment with the Company for a fixed term of three years starting from 12 January 2012, subject to termination by either party with no less than three months' written notice.

All Directors are subject to rotation pursuant to Article 108 of the Articles of Association. At each annual general meeting, a minimum of one-third of the Directors for the time being shall retire from office by rotation and shall then be qualified for re-election. Each Director shall retire from office at least once every three years. During the year, 3 Directors, namely, Mr. HO Nai Nap, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung, retired and were re-elected at the 2023 AGM.

Corporate Governance Report

E. BOARD COMMITTEES

The Board has established four board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee with terms of reference. Their structure and terms of reference are reviewed regularly by the Board. Composition of these board committees are set out in the table below. These Committees hold regular meetings and are provided with resources and timely information to ensure a proper discharge of responsibilities by their members. The Committees have access to independent professional advice as they consider necessary in the furtherance of their duties at the Company's expenses.

Composition of the Board Committees

Name of Director	Category of Director	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Mr. IP Shing Hing, *B.B.S., J.P.*	Independent Non-executive Director	√	Chairman	Chairman	√
Mr. LAI Kin Jerome	Independent Non-executive Director	Chairman	√	√	√
Mr. CHEUNG Ying Sheung	Independent Non-executive Director	√	√	√	
Ms. CHAN Yim	Independent Non-executive Director	√	√	√	
Mr. WONG Shik Ho Tony	Executive Director		√	√	Chairman
Mr. WONG Fong Pak	Executive Director				√
Mr. LEUNG Wah Kan	Executive Director				√

Audit Committee

The Company established the Audit Committee on 21 December 2011 with written terms of reference.

The Audit Committee serves as a focal point for communication between the Board, external and internal auditors (or the professional firm which provides internal audit services) of the Company in respect of the Company's financial reporting, internal controls, external and internal audits. The Audit Committee comprises 4 members and its composition is set out in the table above. All members are Independent Non-executive Directors with strong backgrounds in finance, law or information technology. They have a sound understanding of financial statements and possess knowledge and experience in corporate governance, internal controls and risk management.

During the year, the Company convened 3 Audit Committee meetings and achieved full attendance. Attendance record of the Audit Committee is set out on page 69 of this Report.

The Audit Committee performed the following duties during the year:

- It reviewed and monitored the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It held regular meetings with auditors to discuss financial reporting obligations and audit issues.

- It approved remuneration and terms of engagement of the external auditors and the professional firm that provided internal audit services to the Company. It recommended the Board on their appointment and retention.

- It monitored the integrity of the Company's financial statements, reports and other financial matters of the Group. It reviewed these reports before submission to the Board to ensure their compliance with the applicable statutory and regulatory requirements in relation to financial reporting.

- It assisted the Board in maintaining an effective risk management and internal control system. It held meetings with senior management to ensure that management had performed their duty to have effective systems. It also reviewed the adequacy of resources in the Group's accounting, financial reporting, internal control and risk management functions.

Remuneration Committee

The Company established the Remuneration Committee on 21 December 2011 with written terms of reference.

The Remuneration Committee is responsible for establishing policies on the structure and remuneration of the Company's Directors and senior management. It performs periodic reviews and makes recommendations to the Board to ensure a formal and transparent remuneration policy is in place. Pursuant to the Group's remuneration policy (the "Remuneration Policy") that was adopted by the Company on 13 January 2012, the remunerations of the Directors and employees of the Group are based on their merit, qualifications, and competence, as well as the Group's profitability and the prevailing market pay conditions. The Remuneration Committee decides the emoluments (such as Director fees, salaries, bonuses, pension, share options, housing and other allowances) of the Directors and senior management of the Group in accordance with the Remuneration Policy and convenes at least once annually.

The Remuneration Committee comprises 5 members and 4 of them are Independent Non-executive Directors. Composition of the committee is set out on page 72 of this Report.

During the year, the Remuneration Committee convened 1 meeting and achieved full attendance. Attendance record of the Remuneration Committee is set out on page 69 of this Report. The Remuneration Committee performed the following duties during the year:

- It conducted review of the Remuneration Policy of the Group.

- It reviewed and approved the management's remuneration proposals to ensure their alignment with the Board's goals and objectives.

- It reviewed and approved the remuneration package of the Executive Directors and ascertained that a substantial part of it corresponded to the corporate and individual performance.

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee on 21 December 2011 with written terms of reference.

The Nomination Committee is responsible for formulating policies on the nomination of Directors and senior management to ensure the Company follows a formal and transparent process for their appointment. It identifies suitable candidates and advises the Board on their appointment or reappointment and their succession planning. It reviews the structure, size, and composition of the Board annually and proposes any changes to the Board that align with the Company's corporate strategy.

The Company adopted a nomination policy for the appointment, re-election, and removal of Directors in March 2019. The policy requires that individuals appointed as Directors possess the character, professional skill, work experience, and integrity and demonstrate a level of competence that meets the Company's expectations. The Nomination Committee reviews the policy annually. The Nomination Committee has 5 members and 4 of them are Independent Non-executive Directors. Composition of the committee is detailed on page 72 of this Report.

During the year, the Nomination Committee held one meeting and achieved full attendance. Attendance record of the Nomination Committee is set out on page 69 of this Report. During the year, the Nomination Committee reviewed structure, size and composition (including gender, skills, knowledge and experience) of the Board and advised the Board on the re-appointment of Directors.

Investment Committee

The Board set up the Investment Committee in August 2015 with written terms of reference.

The Investment Committee establishes policies for the Company's long term investment and performs periodic reviews on them. It assesses investment proposals from management and advises the Board on these proposals. The Investment Committee comprises 5 members, including 3 Executive Directors and 2 Independent Non-executive Directors. Composition of the committee is set out on page 72 of this Report. During the year, no Investment Committee meeting was held.

F. COMPANY SECRETARY

Ms. LEE Yuet Wan was appointed as the Company Secretary effective from 1 September 2021. She holds a Bachelor of Law (Hons) Degree from the University of London, a Master of Laws in International Economic Law from the Chinese University of Hong Kong, and a Master of Arts in Language Studies (Language and Law) from the City University of Hong Kong. Ms. LEE joined the Group in August 2011 and is familiar with the Group's daily affairs. She reports to the Chairman of the Board. She has a duty to ensure all Directors have access to her advice and services and the board activities are conducted efficiently and effectively in accordance with applicable policies, rules and regulations. During the year, Ms. LEE performed the following duties:

- arranged and organized the board meetings and the annual general meeting of the Company;
- advised the board on corporate governance matters; and
- organized induction and ongoing professional training for Directors.

Ms. LEE completed no less than 15 hours of relevant professional training during the year.

G. DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 (for the period from 1 January 2023 to 30 December 2023) and Appendix C3 (for 31 December 2023) to the Listing Rules as the required standard for regulating Directors' dealings in the Company's securities. A Director who wishes to deal in the Company's securities must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing and obtained his acknowledgement prior to any dealing. All Directors, in response to specific enquiries made by the Company, confirmed that they have complied with the required standard as set out in the Model Code during the year.

H. RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Company and it conducts a review on the system on an annual basis through the Audit Committee.

Under code provision D.2.5 of the Code, the Company should have an internal audit function. During the year, the Company did not have an internal audit function but appointed an audit firm to undergo internal audit. The audit firm reported directly to and held regular meetings with the Audit Committee. It submitted an Enterprise Risk Assessment, Internal Control Assessment and Penetration Tests Report (the "Assessment Report") with recommendations to the Audit Committee to enable the Committee to conduct an evaluation on the effectiveness of the Company's risk management and internal control system. The Assessment Report covers the following:

- assessment of internal controls (including corporate level controls, disclosure of inside information, identification and reporting of connected person and connected transaction) of the Company and its key subsidiaries;

- assessment of the Company's risk management framework with reference to the Code; and

- summary of findings and recommendations for improvement of internal control and risk management.

The Board believes that engaging such an external professional firm to discharge the internal audit function on an annual basis would provide an independent unbiased opinion to the Board and would enhance the risk management and internal control of the Company.

During the year, the Audit Committee has conducted a review on the effectiveness of the risk management and internal control system of the Company and considered it to be effective and adequate.

Corporate Governance Report

I. AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

The remuneration paid and payable for the year ended 31 December 2023 to the Company's external auditor, BDO Limited, is set out as follows:

Services rendered to the Group	HK$
Audit services	1,510,000
Non-audit services (note)	160,000

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

The remuneration paid or payable to other audit firms for audit services in the PRC is approximately HK252,000.

J. DIVERSITY

The Company has implemented a board diversity policy to ensure a balanced representation of gender, culture, education, skills, and experience on the Board. The Board comprises 5 Executive Directors and 5 Non-executive Directors (including 4 Independent Non-executive Directors) and 2 women are sitting on the board. Although women make up less than 10% of the Company's senior management, the Board is dedicated to enhancing its gender diversity when suitable candidates are identified for the appointment of senior management.

The Company considers a variety of factors for the selection of directors and senior management. That includes gender, age, culture, education, ethnicity, professional experience, skills, knowledge, length of service, and any other factors that the Board considers relevant and applicable, without setting immediate numerical targets and deadlines for the gender ratio in the workforce. The appointment will depend on the merit and contribution of the chosen candidate to the Board, with due regard to the advantages of diversity on the Board.

The Nomination Committee will review the board diversity policy on a regular basis. It monitors its execution and effectiveness to ensure a suitable balance of gender diversity on the Board and the senior management in accordance with the stakeholders' expectation.

K. SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

Article 64 of the Company's Articles of Association stipulates that an extraordinary general meeting of the Company shall be convened upon the request of one or more shareholders who hold, on the date of deposit of the request, at least 10% of the Company's paid up capital with voting rights at general meetings concerned. The Shareholders can make a written request to the Board or the Company Secretary to call an extraordinary general meeting by the Board for the conduct of any business specified in such request. Under such circumstances, an extraordinary general meeting shall take place within 2 months after the deposit of such request. If the Board does not proceed to convene the extraordinary general meeting within 21 days of the deposit of such request, the requester himself can convene the meeting in the same manner, and the Company shall reimburse all reasonable expenses incurred by the requester as a result of the Board's failure to convene the meeting.

Procedure for putting forward a shareholder's proposal at general meetings

Shareholder may put forward a proposal at the Company's general meeting by sending a written notice of proposal (the "Proposal") with his contact information to the Company's principal place of business at 28th Floor, NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong for the attention of the Board or the Company Secretary. The Company will ascertain the identity of the shareholder through its Hong Kong branch share registrar. Subject to the branch share registrar's verification that the request is valid and lawful and from a shareholder of the Company, the Board will incorporate the Proposal into the agenda for the general meeting. Shareholders will be given sufficient notice for consideration of the Proposal and in any event no less than the notice period set out below:

<table>
<tr><th>Meeting</th><th>Nature of Proposal</th><th>Notice Period</th></tr>
<tr><td rowspan="2">Annual general meeting</td><td>Ordinary Resolution</td><td rowspan="2">21 clear days
• include 20 business days, and
• exclude the date of notice and the date of meeting</td></tr>
<tr><td>Special Resolution</td></tr>
<tr><td rowspan="2">Extraordinary general meeting</td><td>Ordinary Resolution</td><td>14 clear days
• include 10 business days, and
• exclude the date of notice and the date of meeting</td></tr>
<tr><td>Special Resolution</td><td>21 clear days
• include 20 business days, and
• exclude the date of notice and the date of meeting</td></tr>
</table>

Corporate Governance Report

L. INVESTOR RELATIONS

Significant changes in the Company's constitutional documents

In April 2023, the Board proposed certain amendments to the Company's memorandum and articles of association (the "Memorandum and Articles of Association") to, inter alia, comply with the core standards as stipulated in Appendix 3 of the Listing Rules and enable the Company to conduct electronic and hybrid general meetings. The Board also proposed to adopt a new Memorandum and Articles of Association. The proposed adoption of a new Memorandum and Articles of Association was approved as a special resolution by shareholders at the 2023 AGM.

Shareholders Communication Policy

The Company has adopted a shareholders communication policy with an aim to ensure all its shareholders ("Shareholders") and, where appropriate, the wider investment community (including prospective investors and analysts) (the "Investment Community") are provided with ready, equal and timely access to balanced and understandable information about the Company at all relevant times, so as to enable them to exercise their rights in an informed manner. Principal channels of communication used by the Company for communication with Shareholders and the Investment Community during the year are set out below:

Shareholders meeting	Annual general meeting and any other general meetings of the Company (together, the "Shareholders Meetings") are the principal means of communication between the Company and Shareholders. Shareholders are invited to attend and participate actively in person (and in the case of hybrid meetings, both in person and online through designated platforms) or by their proxies who may exercise their voting rights on their behalf at the Shareholders Meetings. The 2023 AGM was convened at a location and time that are convenient to the Shareholders. All Directors, the chief financial officer and the external auditor of the Company attended the Shareholders Meetings to respond to Shareholders' inquiries.
Corporate communications	The Company discloses its financial results on a half-yearly and annual basis and publishes interim and annual reports. The Company also communicates with Shareholders from time to time by means of announcements, circulars, notices and other regulatory disclosures in compliance with the Listing Rules. All corporate communications are prepared in both English and Chinese versions to facilitate Shareholders' understanding. Effective from 31 December 2023, all corporate communications (except otherwise required by the Listing Rules or applicable laws and regulations) of the Company (the "Corporate Communications") will be delivered to Shareholders by electronic means. Printed copy of the Corporate Communications will also be provided upon request. All financial reports and updated business information are published in accordance with the Listing Rules on the Stock Exchange's (www.hkexnews.hk) and the Company's websites (www.pcpartner.com) respectively to keep Shareholders and the Investment Community well informed of the most updated company information.

Corporate website	The Company's website (www.pcpartner.com) provides a dedicated Investor Relations section. The Corporate Communications and other information that the Company publishes on HKEx's website will be posted on the website without delay. The Company will keep the website updated regularly.
Investment Community Engagement	The Company have meetings with the Investment Community on a regular basis with a view to ensuring a continual and effective communication with the Company and the Investment Community.
Shareholding, Share Transfer, Share registration, Payment of Dividend	Shareholders may contact the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
Investor Relations, General Enquiry, Corporate Communications and Whistleblowing	Shareholders, the Investment Community and general public may contact the Company's designated officers set out in the table below.

Particulars	Email Address	Office Address	Attention
Investors relations	ir@pcpartner.com	28th Floor, NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong	Chief Financial Officer
General enquiry	inquiry@pcpartner.com		Chief of Staff
Corporate communications	corp.comm@pcpartner.com		Company Secretary
Whistleblowing	ethics@pcpartner.com		Company Secretary

Others	Shareholders and the Investment Community may at any time make a request for the Company's information to the extent that it is publicly available.

The Company has published its Shareholder Communication Policy on its website. The Company will review the policy from time to time to ensure its efficacy in maintaining high standards of communication between the Company, Shareholders and the Investment Community. The Board has recently reviewed the Shareholders Communication Policy and considers the existing communication channels provide an effective communication between Shareholders and the Company.

M. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Directors are responsible for preparing the consolidated financial statements that present a true and fair view in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the consolidated financial statements is set out in the Independent Auditor's Report in this Report. No material uncertainties exist regarding events or conditions that may raise significant doubt about the Company's ability to continue as a going concern.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 64, was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director* and *Chief Executive Officer* on 24 January 2011 and was a co-founder of the Group in May 1997. He is also the chairman of Investment Committee, a member of each of the Remuneration Committee and the Nomination Committee of the Board. Mr. WONG is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's VGA Cards, motherboards, Mini PCs and other PC accessories businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. WONG was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea, South Wales, the United Kingdom in 1982.

Mr. WONG Fong Pak, aged 74, was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director* and *Executive Vice President* on 24 January 2011 and a co-founder of the Group in May 1997. He is also a member of Investment Committee of the Board. Mr. WONG is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. WONG worked as purchasing manager at VTech Computers Limited.

Mr. LEUNG Wah Kan, aged 65 was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director* and *Chief Operation Officer* on 24 January 2011 and a co-founder of the Group in May 1997. He is also a member of Investment Committee of the Board. Mr. LEUNG is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. LEUNG was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong (the "University").

Mr. HO Nai Nap, aged 68, was appointed as an *Executive Director* on 24 January 2011 and is the founder of ASK Technology Limited ("ASK Technology") in 1989. Mr. HO is now the general manager and managing director of ASK Technology Group Limited, a wholly-owned subsidiary of the Company. He is responsible for the general management, including product and sales. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. HO worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd. Mr. HO was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, the United States of America ("U.S.A.").

Mr. MAN Wai Hung, aged 58, was appointed as an *Executive Director* on 24 January 2011 and is the co-founder of Manli Technology Co. Limited in 1996. Since 2008, Mr. MAN has been the managing director of Manli Technology Group Limited, a wholly-owned subsidiary of the Company and is in charge of functions of sales and marketing, and business development. He was conferred a Bachelor of Arts degree in 1988 by the University.

NON-EXECUTIVE DIRECTORS

Mrs. HO WONG Mary Mee-Tak, aged 74, was appointed as a *Non-executive Director* on 24 January 2011. Mrs. HO was the wife of the late Mr. HO Hin Wun Bosco, a co-founder of the Group. Mrs. HO also sits on the boards as Non-executive Director of other companies within the Group. She completed a three-year program of study in interior design at Ryerson University (now known as Toronto Metropolitan University) in 1972.

Mr. CHIU Wing Yui, aged 59 was appointed as an *Alternate Director* to Mrs. HO WONG Mary Mee-Tak on 1 November 2012. Mr. CHIU has been a Non-executive Director of the Company from 24 January 2011 to 31 October 2012. Mr. CHIU is also an Alternate Director to Mrs. HO WONG Mary Mee-Tak for various companies within the Group. Mr. CHIU was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales, United Kingdom. After graduation, Mr. CHIU worked for B.S.C. Building Materials Supply Company Limited as a system support supervisor. Mr. CHIU was conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, *B.B.S., J.P.* , aged 68, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the Remuneration Committee and the Nomination Committee of the Board and a member of each of the Audit Committee and the Investment Committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons) Degree in 1978 by the University of Hong Kong, a Master of Laws in Arbitration and Dispute Resolution in 2005 by the City University of Hong Kong, and a Master of Laws in Technology and Intellectual Property Law in 2021 by the University of Hong Kong. Mr. IP is a Justice of the Peace and was awarded the Bronze Bauhinia Star by the HKSAR Government in 2022. He is a solicitor and a notary public of Hong Kong, and a China-Appointed Attesting Officer. He has been a practicing solicitor in Hong Kong for more than 40 years. He is currently serving as an Independent Non-executive Director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002–2004), Chairman of Association of China-Appointed Attesting Officers Limited from 2012 to 2014, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), director of Ocean Park Corporation (March 2006 to February 2012), member of Hong Kong Housing Authority (April 2007 to June 2012) and chairman of Appeal Board (Amusement Game Centres) from 30 May 2010 to 31 December 2016.

Mr. LAI Kin Jerome, aged 75, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the Audit Committee of the Board and a member of each of the Remuneration Committee, the Nomination Committee and Investment Committee of the Board. Mr. LAI graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. LAI has over 30 years of experience in accounting and management. Mr. LAI was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and an Executive Director of the finance and management services division of the Stock Exchange between 1997 and 2000. Mr. LAI was an Independent Non-executive Director of Mastercraft International Holdings Limited from 21 June 2012 to 19 February 2016, a company listed on the Stock Exchange.

Directors and Senior Management

Mr. CHEUNG Ying Sheung, aged 70, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board. Mr. CHEUNG graduated from Imperial College of Science and Technology, University of London with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in 1978. He joined the University in 1980 and is currently honorary professors of Electrical and Electronic Engineering, and of Computer Science, after retiring as a professor in 2018. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000, Associate Vice-President (Research) between 2012 and 2015, and Managing Director of Versitech Limited between 2004 and 2016. He was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission. He is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers.

Ms. CHAN Yim, aged 51, was appointed as an *Independent Non-executive Director* on 1 January 2023. She graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Accounting in 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants holding practising certificate. Ms. CHAN was appointed as company secretary of Great Wall Terroir Holdings Limited (formerly known as Great Wall Belt & Road Holdings Limited, and formerly also known as e-Kong Group Limited) (stock code: 0524) from May 2017 to March 2018. Ms. CHAN has over 25 years of experience in financing, auditing, accounting and company secretarial areas.

SENIOR MANAGEMENT

Mr. WONG Man Fai, age 62, *Director of Product*, is responsible for product marketing of the ZOTAC VGA Cards of the Group. Mr. Wong has over 20 years' experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Bachelor Degree in Business (Management) from Royal Melbourne Institute of Technology University Australia and a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University. He joined the Group in July 2006.

Mr. LIU Ngai Choi, age 52, *Director of Sales — APAC Region*, is responsible for the Group's sales and marketing of motherboards, VGA Cards and miniPC products in the Asia Pacific region. Mr. Liu has over 15 years of relevant electronics sales experience. Prior to joining the Group in October 2005, he has worked with Ocean Office Automation and Accuracy Information Technology.

Mr. YANG Ho Ching, age 59, *General Manager*, is responsible for the Group's VGA Cards, motherboard and miniPC manufacturing operations in Dongguan. He joined the Group in November 2013. Mr. Yang has more than 25 years' experience in electronic engineering and computer manufacturing in Taiwan and China. Prior to joining the Group, he has held various quality and manufacturing management positions at Taiwan Micro-Star International, Xin Qiang Electronics and GVC Corporation etc.

Mr. HUANG Chia Pao, age 58, is *Director of Product*, is responsible for the product development of motherboard and miniPC businesses of the Group. Mr. Huang joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit Computer Corporations, DFI San Jose and OCZ Technology Group in Taiwan and the U.S.A.. Mr. Huang holds a Bachelor Degree in Business Administration from the National Chung Hsing University in Taiwan.

Mr. LAU Ka Lai Gary, age 54, *Chief Financial Officer*, is responsible for overall financial, accounting, legal and information technology functions of the Group. He is also the President of Zotac USA, a wholly-owned subsidiary of the Company in the U.S.A.. Mr. Lau joined the Group in October 2010. Prior to joining the Group, he has worked for ROLEX (HONGKONG) LIMITED, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu. Mr. Lau is a member of American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lau graduated from the University of Windsor, Canada, with a Bachelor Degree in Commerce and the University of Western Ontario, Canada, with a Bachelor Degree in Science. He also holds a Master Degree in Business Administration and a Master Degree in Business Systems from the University of Manchester and the Monash University respectively.

Mr. CHOW Pak Keung, age 57, *Director of Program Management — EMS*, is responsible for account servicing and program management of the Group of EMS business. Prior to joining the Group in July 1997, he was a Senior Mechanical Engineer of VTech Computers Limited. Mr. Chow holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic University and a Diploma in Mechanical Engineering from Vocational Training Council.

Mr. FONG Wing Fai, age 57, *Engineering Director — Design*, is responsible for the Group's design engineering, product planning, design roadmap as well as advising the Group on the latest product technology trend and strategy. Mr. Fong has over 25 years' experience in engineering industry. Prior to joining the Group, he has worked for VTech Computers Limited as Project Manager. Mr. Fong holds a Bachelor Degree in Electrical and Electronic Engineering from the University.

Mr. KIM Seong Pyo, age 61, *General Manager* of Zotac Korea, a wholly-owned subsidiary of the Company. Mr. Kim has more than 25 years' experience in international IT business. Prior to joining Zotac Korea in May 2010, he has worked for Inside TNC Europe. Mr. Kim holds a Master Degree in Business from Hamburg University Germany.

Ms. HO Ka Yan Annie, age 49, *Chief of Staff*, is responsible for the Group's human resource management and organizational administration. Ms. Ho joined the Group in 2013 and has more than 18 years' experience in human resource and administration in Hong Kong and China. Prior to joining the Group, she has held various positions in G'Five Group as well as private equity management offices.

Mr. SIU Yu Ping Ernest, age 35, serves as the *Director of Marketing, Corporate & Hongkong*, Mr. Siu joined the company in 2017, overseeing marketing and public relations for the company. With a wealth of experience in the consumer electronics industry, Mr. Siu previously worked for Canon, Tesla, and Hong Kong Telecom etc. He holds a Bachelor's Degree in Policy Studies & Administration from the City University of Hong Kong. Additionally, Mr. Siu has obtained a Postgraduate Diploma in Finance and Law from the University of Hong Kong, as well as a Professional Certificate in Digital & Social Media Marketing from the Hong Kong Polytechnic University.

REPORT OF THE DIRECTORS

The Directors have the pleasure in presenting their report and the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the design, development and manufacturing of VGA Cards for desktop PCs, EMS, and manufacturing and trading of other PC related products and components. The Company acts an investment holding company. Principal businesses of its subsidiaries as at 31 December 2023 are set out in notes 40 to the consolidated financial statements.

An analysis of the Group's revenue and segment information is set out in notes 7 and 6 respectively to the consolidated financial statements.

BUSINESS REVIEW

The Company has committed to providing comprehensive reviews of the Group's businesses and performance in this Report. A summary of the relevant sections in this Report encompassing the mandatory disclosures pursuant to Schedule 5 to the Companies Ordinance is set out below:

Required Disclosure	Relevant Sections in this Report	Page
A fair review of the Company's business and a discussion and an analysis of the Group's performance during the year	• Chairman Statement • Outlook • Management Discussion and Analysis	6 7 8
A description of the principal risks and uncertainties facing the Group	• Chairman Statement • Principal Risks and Uncertainties • Financial Risk Management, note 38 to the consolidated financial statements	6 13 167
Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2023	• Chairman Statement • Management Discussion and Analysis	6 8
Outlook for the Group's business	• Chairman Statement • Outlook	6 7
Description of the Group's environmental policies and performance	• Environmental, Social and Governance Report	22

Required Disclosure		Relevant Sections in this Report	Page
Details regarding the Group's compliance with relevant laws and regulations which have a significant impact on the Group	•	Corporate Governance Report	67
Description of the Group's key relationships with its key stakeholders	•	Environmental, Social and Governance Report	22

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of comprehensive income on page 100 of this Report.

An interim dividend of HK$0.10 per share (2022: HK$0.80 per share) was paid for the six months ended 30 June 2023.

The Board has recommended a final dividend of HK$0.2 per share for the year ended 31 December 2023 to be paid on or before 24 July 2024 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 9 July 2024 (Tuesday). The proposed dividend is subject to the approval of shareholders of the Company at the Company's forthcoming annual general meeting to be held on 28 June 2024 (Friday).

DIVIDEND POLICY

The Company has adopted a dividend policy and the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's current and future operations, actual and expected financial performance;

(b) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(c) any corporate development plans;

(d) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(e) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

Report of the Directors

The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of the Cayman Islands, the articles of association of the Company and any applicable laws, rules and regulations.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on pages 103 to 104 and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2023 amounted to approximately HK$1,008.0 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$7,000.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 December 2023.

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
RESULTS					
Revenue	**9,167,215**	10,755,308	15,459,055	7,761,758	7,556,477
Profit before income tax	**88,136**	843,208	2,930,124	247,720	983
Income tax	**(28,248)**	(141,311)	(553,568)	(39,683)	8,837
Profit for the year	**59,888**	701,897	2,376,556	208,037	9,820
Attributable to:					
Owners of the Company	**60,843**	702,484	2,374,320	207,276	10,266
Non-controlling interests	**(955)**	(587)	2,236	761	(446)
	59,888	701,897	2,376,556	208,037	9,820
ASSETS AND LIABILITIES					
Total assets	**5,295,367**	6,162,010	6,924,463	3,987,383	4,031,773
Total liabilities	**(2,521,152)**	(3,310,865)	(3,834,121)	(2,883,605)	(3,152,050)
Total equity	**2,774,215**	2,851,145	3,090,342	1,103,778	879,723

PRE-EMPTIVE RIGHTS

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

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

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

Report of the Directors

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted the 2016 Share Option Scheme on 17 June 2016. Particulars of the 2016 Share Option Scheme are set out in note 33 to the consolidated financial statements.

7,961,866 options were available for grant under the 2016 Share Option Scheme at the beginning and the end of the year ended 31 December 2023. As at the date of this Report, no shares are available for issue under 2016 Share Option Scheme.

DIRECTORS

The Directors during the year and as at the date of this Report are stated below:

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

Non-executive 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, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim

In accordance with Article 108 of the Articles of Association, Mr. WONG Shik Ho Tony, Mr. WONG Fong Pak, Mrs. HO WONG Mary Mee-Tak and Mr. IP Shing Hing will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the general meeting.

The Company has received annual confirmation of independence from each of the four Independent Non-executive Directors, namely, Mr. IP Shing Hing, Mr. LAI Kin Jerome, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim that they have met all the factors concerning their independence as set out in Rule 3.13 of the Listing Rules and that there are no other factors which may affect their independence. The Company considers these Independent Non-executive Directors to be independent.

EQUITY-LINKED AGREEMENTS

Save for the 2016 Share Option Scheme as set out in this Report, no equity-linked agreements were entered into by the Group, or subsisted during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 36 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

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

Ms. CHAN Yim was appointed as an Independent Non-executive Director on 1 January 2023. Her letter of appointment with the Company is for a term of 3 years commencing from 1 January 2023 unless otherwise terminated by either party by giving a minimum of 3 months' prior written notice.

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

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

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with Directors or existed during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Long Positions in shares of the Company

Name of Director	Type of interest	Number of shares held	Percentage of shareholding
Mr. WONG Shik Ho Tony	Beneficial owner	55,405,750	14.28%
Mrs. HO WONG Mary Mee-Tak	Beneficial owner and Interest in controlled corporation (note)	55,050,000	14.19%
Mr. WONG Fong Pak	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Beneficial owner	21,472,538	5.54%
Mr. MAN Wai Hung	Beneficial owner	5,807,065	1.50%
Mr. IP Shing Hing	Beneficial owner	200,000	0.05%
Mr. CHEUNG Ying Sheung	Beneficial owner	176,000	0.05%
Mr. LAI Kin Jerome	Beneficial owner	150,000	0.04%

Note: 54,850,000 shares out of the 55,050,000 shares are owned by Perfect Choice Limited. As the entire issued share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 shares held by Perfect Choice Limited under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified by the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 2016 Share Option Scheme as set out in this Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouse and minor children) to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, 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
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	55,405,750	14.28%
Mrs. HO WONG Mary Mee-Tak	Long position	Beneficial owner and interest in controlled corporation (note)	55,050,000	14.19%
Perfect Choice Limited	Long position	Beneficial owner (note)	54,850,000	14.14%
Mr. WONG Fong Pak	Long position	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Long position	Beneficial owner	21,472,538	5.54%

Note: 54,850,000 shares out of the 55,050,000 shares are owned by Perfect Choice Limited. As the entire share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 shares held by Perfect Choice Limited under the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

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

	2023 %	2022 %
Sales		
— the largest customer	6%	6%
— five largest customers combined	18%	22%
Purchases		
— the largest supplier	69%	66%
— five largest suppliers combined	78%	78%

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

Report of the Directors

CONNECTED TRANSACTIONS

During the year, there are no connected transactions of the Group which are subject to the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 67 to 79 of this Annual Report.

PERMITTED INDEMNITY

Pursuant to the Bye-laws, the Director(s) shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation to any affairs of the Company.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by BDO Limited which will retire and, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
WONG Shik Ho Tony
Chairman

Hong Kong, 14 March 2024

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE MEMBERS OF PC PARTNER GROUP LIMITED
(栢能集團有限公司)
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of PC Partner Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 100 to 181, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to notes 4(g) and 7 to the consolidated financial statements

The Group's revenue principally comprises sales of video graphics cards, electronics manufacturing services and other PC related products and components. Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and it is significant to the consolidated financial statements.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter.

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;
- Assessing the appropriateness of the Group's revenue recognition policy under HKFRS 15 by inspecting a sample of representative contracts with customers;
- Assessing the existence and identity of a sample of new customers of the Group during the year by performing background searches on these customers;
- Assessing whether revenue had been recognised in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded immediately before and after the year end with relevant underlying documents, which included delivery notes or documentation indicating the customers' acknowledgement of delivery of the goods sold; and
- Identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period.

Provision for obsolete inventories

Refer to notes 4(e), 5 and 22 to the consolidated financial statements

As at 31 December 2023, inventories net of provision for obsolescence of HK$149,940,000, amounted to HK$1,135,492,000 which represent approximately 21.4% of total assets of the Group. The inventories are measured at the lower of cost and net realisable value. Sale of video graphics cards and other PC related products and components can be extremely volatile with the launching in the market of new computer products based on more advanced technology. As a result there is significant risk that the carrying value of inventories exceed their net realisable value. In view of the above, management has made estimates based on certain assumptions relating to inventory obsolescence. Obsolescence provision considerations included inventories ageing profiles, as well as different market factors impacting the sales of these models of products. In addition, the determination of the method and period to use to determine the provisioning percentages to be applied to aged inventories as a result of changing trends, requires significant judgement based on experience.

Accordingly, the provision carried against inventories is considered to be a key audit matter.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- Evaluating the assumptions and estimates applied to the determination of obsolescence provision by performing analytical procedures and comparison to historical records, taking into account recent developments in the market;

- Assessing whether there were inventories which were sold with a negative margin by checking to sales invoices or available market information subsequent to 31 December 2023 on a sample basis to validate management's assessment of inventory obsolescence; and

- Checking on a sample basis that items on the inventory ageing listing were classified in the appropriate ageing bracket.

Independent Auditor's Report

Impairment of trade receivables

Refer to notes 4(f), 5, 23 and 38(a) to the consolidated financial statements

As at 31 December 2023, the Group had trade receivables measured at amortised cost of HK$1,061,508,000, and accumulated impairment losses of HK$308,741,000 has been made over the balance.

Determining loss allowances for trade receivables measured at amortised cost is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade receivables measured at amortised cost as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowances are inherently subjective and require significant management judgement.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- Obtaining an understanding of the model adopted by management in estimating lifetime expected credit losses and key controls which oversee credit control, debt collection and estimation of lifetime expected credit losses;

- Checking the ageing analysis of the trade receivables, on a sample basis;

- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgement, including checking the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

- Checking subsequent settlement of the year end trade receivables balances on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate no. P05309

Hong Kong, 14 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6, 7	**9,167,215**	10,775,308
Cost of sales		**(8,466,469)**	(9,212,346)
Gross profit		**700,746**	1,562,962
Other revenue and other gains and losses, net	8	**30,770**	(1,347)
Selling and distribution expenses		**(138,183)**	(121,532)
Administrative expenses		**(442,773)**	(523,278)
Impairment losses on financial assets		**(3,118)**	(533)
Finance costs	9	**(59,306)**	(32,551)
Share of loss of a joint venture		**—**	(40,513)
Profit before income tax	10	**88,136**	843,208
Income tax	11	**(28,248)**	(141,311)
Profit for the year		**59,888**	701,897
Other comprehensive income, after tax			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instrument at FVTOCI		**—**	(2,249)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		**(1,381)**	(5,010)
Total comprehensive income for the year		**58,507**	694,638
Profit for the year attributable to:			
— Owners of the Company		**60,843**	702,484
— Non-controlling interests		**(955)**	(587)
		59,888	701,897
Total comprehensive income for the year attributable to:			
— Owners of the Company		**59,462**	695,225
— Non-controlling interests		**(955)**	(587)
		58,507	694,638
		HK$	HK$
Earnings per share	15		
— Basic		**0.16**	1.81
— Diluted		**0.16**	1.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	16	557,369	596,378
Right-of-use assets	17	92,559	121,766
Intangible assets	18	4,825	4,825
Other financial asset	19	1,268	1,268
Deferred tax assets	21	5,788	3,999
Trade and other receivables	23	5,664	5,383
Total non-current assets		667,473	733,619
Current assets			
Inventories	22	1,135,492	1,831,959
Trade and other receivables	23	894,097	1,260,597
Right of return assets	24	38,601	69,561
Income tax recoverable		68,487	58,951
Cash and bank balances	25	2,491,217	2,207,323
Total current assets		4,627,894	5,428,391
Total assets		5,295,367	6,162,010
Current liabilities			
Trade and other payables	26	1,280,048	1,237,752
Refund liabilities	27	48,837	83,794
Contract liabilities	28	60,957	76,521
Borrowings	29	982,426	1,738,733
Provision for product warranties and returns	30	41,124	39,436
Lease liabilities	31	30,164	30,864
Income tax liabilities		8,546	6,571
Total current liabilities		2,452,102	3,213,671
Net current assets		2,175,792	2,214,720
Total assets less current liabilities		2,843,265	2,948,339

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	31	**69,050**	97,194
NET ASSETS		**2,774,215**	2,851,145
Capital and reserves			
Share capital	32	**38,788**	38,768
Reserves		**2,734,043**	2,810,038
Equity attributable to owners of the Company		**2,772,831**	2,848,806
Non-controlling interests		**1,384**	2,339
TOTAL EQUITY		**2,774,215**	2,851,145

On behalf of the Board

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to owners of the Company											
	Share capital HK$'000	Share premium (note (a)) HK$'000	Translation reserve HK$'000	Merger reserve (note (b)) HK$'000	Other reserve (note (c)) HK$'000	Legal reserve (note (d)) HK$'000	Financial asset at FVTOCI reserve HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	38,738	196,993	2,756	6,702	21,774	3,506	(12,103)	340	2,828,710	3,087,416	2,926	3,090,342
Profit for the year	–	–	–	–	–	–	–	–	702,484	702,484	(587)	701,897
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	–	–	(5,011)	–	1	–	–	–	–	(5,010)	–	(5,010)
– changes in fair value of equity instrument at FVTOCI	–	–	–	–	–	–	(2,249)	–	–	(2,249)	–	(2,249)
Total comprehensive income	–	–	(5,011)	–	1	–	(2,249)	–	702,484	695,225	(587)	694,638
Share issued under share option scheme	30	626	–	–	–	–	–	(173)	–	483	–	483
Dividends paid (note 14)	–	–	–	–	–	–	–	–	(934,318)	(934,318)	–	(934,318)
At 31 December 2022 and 1 January 2023	**38,768**	**197,619**	**(2,255)**	**6,702**	**21,775**	**3,506**	**(14,352)**	**167**	**2,596,876**	**2,848,806**	**2,339**	**2,851,145**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60,843**	**60,843**	**(955)**	**59,888**
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	**–**	**–**	**(1,381)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,381)**	**–**	**(1,381)**
Total comprehensive income	**–**	**–**	**(1,381)**	**–**	**–**	**–**	**–**	**–**	**60,843**	**59,462**	**(955)**	**58,507**
Share issued under share option scheme	**20**	**417**	**–**	**–**	**–**	**–**	**–**	**(115)**	**–**	**322**	**–**	**322**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(52)**	**52**	**–**	**–**	**–**
Dividends paid (note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(135,759)**	**(135,759)**	**–**	**(135,759)**
At 31 December 2023	**38,788**	**198,036**	**(3,636)**	**6,702**	**21,775**	**3,506**	**(14,352)**	**–**	**2,522,012**	**2,772,831**	**1,384**	**2,774,215**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Notes:

(a) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Merger reserve represents the difference between the share capital of the Company and the combined share capital and share premium of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation underwent in December 2011.

(c) Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the Reorganisation over their nominal values.

(d) Legal reserve included (i) reserve appropriated by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserves appropriated by the Group's subsidiaries established in the People's Republic of China (the "PRC") pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the registered capital of these entities. The statutory reserve can be utilised, upon obtaining approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Operating activities			
Profit before income tax		88,136	843,208
Adjustments for:			
Depreciation of property, plant and equipment		74,568	36,749
Depreciation of right-of-use assets		31,889	31,186
Interest income		(50,228)	(10,455)
Net fair value gains on derivative financial instruments		(506)	(61)
Interest expense		59,306	32,551
Bad debts written off		1,753	152
Gain on disposal of property, plant and equipment		(40)	(379)
Gain on derecognition of right-of-use assets		(20)	(162)
Property, plant and equipment written off		2	28
Impairment losses on financial assets		3,118	533
Provision for obsolete inventories		41,763	51,018
Provision/(reversal of provision) for product warranties and returns, net		17,404	(12,455)
Share of net loss of a joint venture		–	40,513
Operating profit before working capital changes		267,145	1,012,426
Inventories		654,772	(371,319)
Right of return assets		30,960	1,529
Trade and other receivables		380,644	73,528
Trade and other payables		2,409,625	2,845,223
Refund liabilities		(34,957)	(12,651)
Contract liabilities		(15,573)	(133,242)
Provision for product warranties and returns		(15,716)	(9,227)
Cash generated from operations		3,676,900	3,406,267
Interest paid		(59,306)	(32,551)
Income tax paid		(37,773)	(700,672)
Net cash generated from operating activities		3,579,821	2,673,044

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Investing activities			
Payments to acquire property, plant and equipment		**(35,566)**	(538,935)
Prepayments to acquire property, plant and equipment		**(10,971)**	(5,685)
Proceeds from disposal of property, plant and equipment		**40**	390
Payments to acquire right-of-use assets		**(15)**	—
Placement of time deposit with maturity over three months		**(665,650)**	(263,834)
Withdrawal of time deposit with maturity over three months		**274,400**	265,460
Interest received		**50,228**	10,455
Net cash received on settlement of derivative financial instruments		**506**	61
Net cash used in investing activities		**(387,028)**	(532,088)
Financing activities			
Issue of new shares		**322**	483
Dividends paid to owners of the Company		**(135,759)**	(934,318)
Proceeds from bank loans		**—**	193,930
Repayment of bank loans		**(7,757)**	(1,293)
Repayment of import loans		**(3,119,178)**	(2,887,326)
Repayment of principal of lease liabilities		**(31,425)**	(30,500)
Net cash used in financing activities		**(3,293,797)**	(3,659,024)
Net decrease in cash and cash equivalents		**(101,004)**	(1,518,068)
Cash and cash equivalents at beginning of year		**2,206,987**	3,764,766
Effect of exchange rate changes on cash and cash equivalents		**(5,602)**	(39,711)
Cash and cash equivalents at end of year, representing cash and bank balances (net of pledged deposit and time deposit with maturity over three months)	25	**2,100,381**	2,206,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Act (Revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2012. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KYI-1108, Cayman Islands. Its principal place of business is situated at 28/F., NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company and its subsidiaries (referred to as the "Group") are engaged in the business of design, manufacturing and trading of electronics and personal computer ("PC") parts and accessories with its operation base in Mainland China and trading of electronics and PC parts and accessories with its operation bases in Hong Kong, Japan, Korea and the U.S.A..

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of revised HKFRSs — effective on 1 January 2023

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to HKAS 8: Definition of Accounting Estimates
- Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to HKAS 12: International Tax Reform-Pillar Two model Rules

Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of revised HKFRSs — effective on 1 January 2023 (Continued)

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

Amendments to HKAS 12: International Tax Reform- Pillar Two model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

In two of the jurisdictions where the Group operates, the tax laws have been enacted to implement the Pillar Two model rules but such new tax laws are not yet effective as at 31 December 2023. The additional disclosures made under the Amendments to HKAS 12 Income Taxes on Pillar Two Model Rules are provided in note 11.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024.

2 Effective for annual periods beginning on or after 1 January 2025.

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (Continued)

HK Interpretation 5 (2022): Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 (2022) was revised as a consequence of the Amendments to HKAS 1 issued in December 2022. The revision to HK Interpretation 5 (2022) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKFRS 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements of HKFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require a seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee would not recognise a gain or loss that relates to the right of use retained by the seller-lessee. The amendments also clarify that applying the requirements does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to subsequent partial or full termination of a lease.

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments add a disclosure objective to HKAS 7 Cash flow statements stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 Financial Instruments: Disclosures was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (Continued)

Amendments to HKAS 21: Lack of Exchangeability

The amendments specify when a currency is exchangeable into another currency and when it is not and how an entity estimates the spot exchange rate when a currency is not exchangeable. In addition, the amendments require disclosure of information that enables users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

(c) Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(c) Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong (Continued)

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition. The Group has assessed that the change in accounting policy does not have material impacts on the Group's consolidated financial statements for the current and prior years.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. ACCOUNTING POLICIES

(a) Basis of consolidation

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

(b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. In the note to the consolidated financial statements that discloses the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

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

Freehold buildings	39 years
Leasehold buildings	45 years
Leasehold improvements	Over the remaining lease terms
Plant and machinery	2 to 5 years
Office and testing equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	3 years
Moulds	2 to 4 years
Electric generator	5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. ACCOUNTING POLICIES (CONTINUED)

(d) Leasing

The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease terms.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

4. ACCOUNTING POLICIES (CONTINUED)

(d) Leasing (Continued)

The Group as a lessee (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient set out in the amendment to HKFRS 16 COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(e) Inventories

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

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For the year ended 31 December 2023

4. ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

4. ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Impairment loss on financial assets (Continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

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For the year ended 31 December 2023

4. ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. ACCOUNTING POLICIES (CONTINUED)

(g) Revenue recognition (Continued)

Sales of video graphics cards ("VGA Cards"), electronics manufacturing services ("EMS") and other PC related products and components

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30–90 days.

Some of the Group's contracts with customers from the sale of products provide customers a right of return. The right of return allows the returned goods to be refunded in cash for specific customers. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognises a right of return asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate sales amount of returned goods as refund liability. At the end of each reporting period, the refund liability is re-measured arising from any changes in expectations about the amount of refunds with corresponding adjustments as revenue (or reductions of revenue). The right of return asset is recognised by reference to the former carrying amount of the products less any expected costs to recover those products including potential decrease in the value to the Group of returned products. At the end of each reporting period, the carrying amount of the right of return asset is re-measured arising from any changes in expectations about products to be returned.

(h) Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

(i) Contract costs

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of goods as an expenses when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(j) Income taxes

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

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

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For the year ended 31 December 2023

4. ACCOUNTING POLICIES (CONTINUED)

(j) Income taxes (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences do not arise from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period and reflect any uncertainty related to income tax.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

(k) Impairment of non-financial assets

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

- property, plant and equipment (including right-of-use assets);
- intangible assets with finite useful lives; and
- investment in a subsidiary and a joint venture.

4. ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets (Continued)

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

(l) Provisions and contingent liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The key sources of estimation uncertainty are discussed below.

Impairment of property, plant and equipment (including right-of-use assets)

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value in use calculations and fair value less costs of disposal. These calculations require the use of judgements and estimates.

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

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

Useful lives of property, plant and equipment (including right-of-use assets) and intangible assets

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

Fair value measurement of financial assets

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Fair value measurement of financial assets (Continued)

The Group measures a number of items at fair value:

- Other financial asset (note 19)
- Trade receivables at FVTPL (note 23(b))

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Provision for obsolete inventories

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

Impairment of trade receivables

The provision rate of trade receivables is determined on assessment of their recoverability and ageing analysis of trade receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast of economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 38(a).

Warranty provision and refund liabilities

As explained in notes 27 and 30, the Group makes provisions under the warranties and right of return it gives on sales of its electronic products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

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

Estimated provisions for litigation claims or custom tariff

The Group evaluates whether a present obligation exists after taking into account all available evidence, including the opinion of experts. A provision is recognised if the Directors consider it is more likely than not that present obligation exists and a reliable estimate can be made on the settlement amount of the claim. If it is more likely than not that no present obligation exists, the Group should disclose a contingent liability, unless the possibility of any transfer of economic benefits in settlement is remote. Details of the provisions for litigation claims and the contingent liability for custom tariff are disclosed in note 26(b) and note 42, respectively.

Determining the lease term of contracts with extension options — the Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the Group.

The Group has several lease contracts that include extension options which are exercisable at the discretion of the Group. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control. The Group typically exercises its option to renew for these leases of properties used for production because there will be a significant negative effect on production if a replacement asset is not readily available and there was significant customisation to the leased asset. The majority of extension options held are exercisable only by the Group and not by the respective lessor. The Group assessed and concluded that it is reasonably certain that the Group will exercise extension options included in all of the lease arrangements of which the additional periods covered by extension options ranged from 1 to 5 years.

Estimating the incremental borrowing rate — the Group as lessee

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") of the relevant lessee to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease such as when leases are not in the subsidiary's functional currency. The Group estimates the IBR using observable inputs such as market interest rates when available.

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For the year ended 31 December 2023

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

Estimating the incremental borrowing rate — the Group as lessee (Continued)

To determine the IBR, the Group:

— Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

— Makes adjustments specific to the lease, e.g. term, country, currency and security.

Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences (including unused tax losses) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has recognised HK$5,788,000 (2022: HK$3,999,000) as deferred tax assets in respect of deductible temporary differences. These deductible temporary differences relate to subsidiaries that have taxable temporary difference or tax planning opportunities available that could partly support the recognition of these deductible temporary differences as deferred tax assets. Further details on deferred tax are disclosed in note 21.

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision maker which is the board of directors that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacturing and trading of electronics and PC parts and accessories. The following summary describes the operation of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	2023 **HK$'000**	2022 HK$'000
Design, manufacturing and trading of electronics and PC parts and accessories	**9,167,215**	10,775,308

6. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (Continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major products and services, brand and non-brand businesses and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

For the year ended 31 December	Design, manufacturing and trading of electronics and PC parts and accessories	
	2023	2022
	HK$'000	HK$'000
Primary geographical markets		
Asia Pacific ("APAC")	**3,274,159**	3,733,959
North and Latin America ("NALA")	**1,282,346**	2,078,456
PRC	**2,127,307**	1,999,731
Europe, Middle East, Africa and India ("EMEAI")	**2,483,403**	2,963,162
	9,167,215	10,775,308
Major products/services		
VGA Cards	**7,266,157**	8,994,816
EMS	**738,958**	828,871
Other PC related products and components	**1,162,100**	951,621
	9,167,215	10,775,308
Brand and non-brand businesses		
Brand businesses	**5,815,602**	7,047,288
Non-brand businesses	**3,351,613**	3,728,020
	9,167,215	10,775,308
Timing of revenue recognition		
At a point in time	**9,167,215**	10,775,308

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT REPORTING (CONTINUED)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
APAC	**3,274,159**	3,733,959	**433,836**	450,399
NALA	**1,282,346**	2,078,456	**23,210**	23,246
PRC	**2,127,307**	1,999,731	**203,354**	254,490
EMEAI	**2,483,403**	2,963,162	**17**	217
	9,167,215	10,775,308	**660,417**	728,352

(c) Information about the major customer

During the years ended 31 December 2023 and 2022, none of the customers contributed 10% or more of the Group's revenue.

7. REVENUE

Revenue represents the net invoiced value of goods sold and service income earned by the Group. The following table provides information about contract liabilities from contracts with customers.

	2023 HK$'000	2022 HK$'000
Contract liabilities (note 28)	**60,957**	76,521

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK$50,876,000 of the contract liabilities as at 1 January 2023 and HK$178,995,000 of the contract liabilities as at 1 January 2022 has been recognised as revenue for the year ended 31 December 2023 and 2022 respectively from performance obligations satisfied when the goods were sold.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

8. OTHER REVENUE AND OTHER GAINS AND LOSSES, NET

	2023 HK$'000	2022 HK$'000
Government grants (note)	**2,447**	7,009
Interest income	**50,228**	10,455
Net exchange losses	**(29,133)**	(30,355)
Net fair value gains on derivative financial instruments	**506**	61
Gain on disposal of property, plant and equipment	**40**	379
Gain on derecognition of right-of-use assets	**20**	162
Sundry income	**6,662**	10,942
	30,770	(1,347)

Note:

Included in 2022 government grants is HK$4,134,000 obtained from 2022 Employment Support Scheme ("ESS") under the Anti-Epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and retain current employees from May to July 2022. The Group does not have other unfulfilled obligations relating to this program. The remaining government grants of 2023 and 2022 were received from several PRC local government authorities on a discretionary basis before year end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank advances and other borrowings	**54,766**	27,915
Interest on lease liabilities	**4,540**	4,636
	59,306	32,551

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For the year ended 31 December 2023

10. PROFIT BEFORE INCOME TAX

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

	2023 **HK$'000**	2022 HK$'000
Inventories recognised as expense	**8,424,706**	9,161,328
Provision for obsolete inventories	**41,763**	51,018
Cost of sales	**8,466,469**	9,212,346
Staff costs (note 12)	**410,777**	530,701
Auditor's remuneration	**1,922**	1,854
Bad debts written off	**1,753**	152
Depreciation of property, plant and equipment	**74,568**	36,749
Depreciation of right-of-use assets	**31,889**	31,186
Impairment losses on financial assets (note 38(a))	**3,118**	533
Short-term lease expenses	**505**	2,991
Low-value assets leases expenses	**24**	20
Property, plant and equipment written off	**2**	28
Provision/(reversal of provision) for product warranties and returns, net (note 30)	**17,404**	(12,455)
Research and development expenditure (note)	**74,971**	64,286

Note:

The research and development expenditure for the year represents depreciation of plant and machinery and office equipment and right-of-use assets and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

11. INCOME TAX

(a) The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2023 HK$'000	2022 HK$'000
Current tax — Hong Kong		
— provision for the year	**26,668**	125,536
— over provision in respect of prior year	**(989)**	(314)
Current tax — PRC		
— provision for the year	**4,446**	2,063
— under provision in respect of prior years	**—**	4,545
Current tax — others		
— provision for the year	**172**	2,898
— (over)/under provision in respect of prior year	**(267)**	984
	30,030	135,712
Deferred tax		
— origination and reversal of temporary differences (note 21)	**(1,782)**	5,599
Income tax expense	**28,248**	141,311

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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11. INCOME TAX (CONTINUED)

(a) The amount of income tax expense in the consolidated statement of comprehensive income represents: (continued)

Under the two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million. For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profits shall remain in calculating Hong Kong profits tax. For the years ended 31 December 2023 and 2022, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. A significant subsidiary of the Company, PC Partner Limited, is entitled to claim 50% of all of its manufacturing profits as offshore in nature and non-taxable under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong.

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 renewed successfully for three years from 2021 to 2023 and the applicable PRC enterprise income tax rate for the year is 15% (2022: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2022: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2023.

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

The Group has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

On 31 March 2023 and 21 December 2023, the governments of Japan and South Korea, where the subsidiaries are incorporated, enacted the Pillar Two income taxes legislation effective from 1 April 2024 and 1 January 2025 respectively. Under the legislation, the Group will be required to pay, in top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent.

As at 31 December 2023, only South Korea is currently taxed at the average effective tax rate of 10.3%, which is lower than 15% and might be subject to Pillar Two income taxes. However, this information is based on the profits and tax expense determined as part of the preparation of the Group's consolidated financial statements without considering adjustments that would have been required applying the legislation. Because of the specific adjustments envisaged in the Pillar Two legislation which may give rise to different effective tax rates compared to those calculated based on accounting profit, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the year ended 31 December 2023 may have been significantly different.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

11. INCOME TAX (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Profit before income tax	**88,136**	843,208
Tax calculated at Hong Kong profits tax rate	**14,542**	139,129
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(18,748)**	(2,059)
Tax effect of non-taxable net expenditure/(income) relating to offshore operation	**6,276**	(11,818)
Tax effect of expenses not deductible for tax purposes	**1,780**	10,515
Tax effect of revenue not taxable for tax purposes	**(17,682)**	(4,839)
Tax effect of tax losses and deductible temporary differences not recognised	**48,030**	10,102
Utilisation of tax losses and deductible temporary differences previously not recognised	**(728)**	(2,848)
(Over)/under provision in respect of prior year	**(1,256)**	5,215
Tax rebate and tax concession	**(4,888)**	(4,592)
Others	**922**	2,506
Income tax expense	**28,248**	141,311

12. STAFF COSTS

	2023 HK$'000	2022 HK$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	**358,955**	472,565
Pension contribution	**3,924**	4,275
Social insurance	**36,036**	38,391
Provision for long services payment, annual leave and others	**11,862**	15,470
	410,777	530,701

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13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2022: ten) directors were as follows:

Year ended 31 December 2023

Name of directors	Fees HK$'000	Basic salaries HK$'000	Discretionary bonuses HK$'000	Pension contribution HK$'000	Housing and other allowances and benefits in kind HK$'000	Total HK$'000
Executive Directors						
Mr. WONG Shik Ho Tony	–	5,003	1,928	18	333	7,282
Mr. WONG Fong Pak	–	4,436	–	–	65	4,501
Mr. LEUNG Wah Kan	–	4,539	104	18	45	4,706
Mr. MAN Wai Hung	–	2,404	2,587	18	–	5,009
Mr. HO Nai Nap	–	2,633	–	–	13	2,646
Non-executive Directors						
Mrs. HO WONG Mary Mee-Tak	90	–	–	–	–	90
Mr. CHIU Wing Yui (note (ii))	90	–	–	–	–	90
Mr. IP Shing Hing, *B.B.S., J.P.*	300	–	–	–	–	300
Mr. LAI Kin Jerome	300	–	–	–	–	300
Mr. CHEUNG Ying Sheung	300	–	–	–	–	300
Ms. CHAN Yim	300	–	–	–	–	300
	1,380	19,015	4,619	54	456	25,524

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

(a) Directors' emoluments (Continued)

Year ended 31 December 2022

Name of directors	Fees HK$'000	Basic salaries HK$'000	Discretionary bonuses HK$'000	Pension contribution HK$'000	Housing and other allowances and benefits in kind HK$'000	Total HK$'000
Executive Directors						
Mr. WONG Shik Ho Tony	–	4,580	24,684	18	580	29,862
Mr. WONG Fong Pak	–	4,281	2,606	–	–	6,887
Mr. LEUNG Wah Kan	–	4,382	6,364	18	34	10,798
Mr. MAN Wai Hung	–	2,321	5,357	18	–	7,696
Mr. HO Nai Nap	–	2,541	7,531	–	23	10,095
Non-executive Directors						
Mrs. HO WONG Mary Mee-Tak	75	–	–	–	–	75
Mr. CHIU Wing Yui (note (ii))	75	–	–	–	–	75
Mr. IP Shing Hing, *B.B.S., J.P.*	270	–	–	–	–	270
Mr. LAI Kin Jerome	270	–	–	–	–	270
Mr. CHEUNG Ying Sheung	270	–	–	–	–	270
	960	18,105	46,542	54	637	66,298

Notes:

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

(ii) As alternative director to Mrs. HO WONG Mary Mee-Tak.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2022: four) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above.

The emoluments of the remaining one (2022: one) non-director individual whose emolument is included in the band of HK$7,000,001 to HK$7,500,000.

	2023 **HK$'000**	2022 HK$'000
Salary	**2,285**	2,206
Discretionary bonuses	**5,111**	15,869
Pension contribution	**18**	18
	7,414	18,093

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: HK$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2022: None).

(c) Senior management's emoluments

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

	2023 **No. of** **individuals**	2022 No. of individuals
HK$Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**5**	6
HK$1,500,001 to HK$2,000,000	**1**	2
HK$4,000,001 to HK$4,500,000	**1**	—
HK$5,500,001 to HK$6,000,000	**—**	1
HK$7,000,001 to HK$7,500,000	**1**	—
HK$18,000,001 to HK$18,500,000	**—**	1

14. DIVIDENDS

	2023 HK$'000	2022 HK$'000
2022 Final dividend paid — HK$Nil per share (2022: 2021 Final dividend paid — HK$1.61 per share)	–	624,171
2022 Special dividend paid — HK$0.25 per share (2022: 2021 Special dividend paid — HK$Nil per share)	96,971	–
2023 Interim dividend paid — HK$0.10 per share (2022: 2022 Interim dividend paid — HK$0.80 per share)	38,788	310,147
Dividends paid for the year	135,759	934,318

The directors of the Company propose a final dividend of HK$0.2 (2022: HK$Nil) per share and a special dividend of HK$Nil (2022: HK$0.25) per share, totalling HK$77,577,000 (2022: special dividend of HK$96,971,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2023 and 2022 is based on the following data:

Profit	2023 HK$'000	2022 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	60,843	702,484

Shares in issue	2023 (number of shares)	2022 (number of shares)
Weighted average number of ordinary shares for the purpose of basic earnings per share	387,850,243	387,559,833
Effect of dilutive potential ordinary shares: — share options	–	329,508
Weighted average number of ordinary shares for the purpose of diluted earnings per share	387,850,243	387,889,341

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16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office and testing equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Electric generator HK$'000	Total HK$'000
Cost:										
At 1 January 2022	25,078	–	35,760	305,951	90,171	1,767	5,406	10,800	7,008	481,941
Additions	–	403,126	19,056	84,678	25,459	3,973	217	2,426	–	538,935
Disposals/written off	–	–	(2,253)	(28,121)	(4,009)	(331)	–	–	–	(34,714)
Exchange adjustments	39	–	(39)	–	(71)	(4)	(7)	–	–	(82)
At 31 December 2022 and 1 January 2023	**25,117**	**403,126**	**52,524**	**362,508**	**111,550**	**5,405**	**5,616**	**13,226**	**7,008**	**986,080**
Additions	**–**	**–**	**7,116**	**7,271**	**19,347**	**607**	**418**	**807**	**–**	**35,566**
Disposals/written off	**–**	**–**	**(2,484)**	**(3,364)**	**(2,783)**	**–**	**(486)**	**–**	**–**	**(9,117)**
Exchange adjustments	**–**	**–**	**(15)**	**–**	**(12)**	**(3)**	**(2)**	**–**	**–**	**(32)**
At 31 December 2023	**25,117**	**403,126**	**57,141**	**366,415**	**128,102**	**6,009**	**5,546**	**14,033**	**7,008**	**1,012,497**
Accumulated depreciation:										
At 1 January 2022	2,025	–	30,956	255,040	82,695	1,543	5,178	10,077	212	387,726
Depreciation	330	1,507	1,682	18,952	11,757	171	137	812	1,401	36,749
Written back on disposals/written off	–	–	(2,251)	(28,109)	(3,984)	(331)	–	–	–	(34,675)
Exchange adjustments	3	–	(36)	–	(61)	(4)	–	–	–	(98)
At 31 December 2022 and 1 January 2023	**2,358**	**1,507**	**30,351**	**245,883**	**90,407**	**1,379**	**5,315**	**10,889**	**1,613**	**389,702**
Depreciation	**331**	**9,042**	**6,221**	**29,954**	**25,480**	**872**	**172**	**1,094**	**1,402**	**74,568**
Written back on disposals/written off	**–**	**–**	**(2,484)**	**(3,364)**	**(2,781)**	**–**	**(486)**	**–**	**–**	**(9,115)**
Exchange adjustments	**(1)**	**–**	**(15)**	**–**	**(9)**	**(2)**	**–**	**–**	**–**	**(27)**
At 31 December 2023	**2,688**	**10,549**	**34,073**	**272,473**	**113,097**	**2,249**	**5,001**	**11,983**	**3,015**	**455,128**
Net book value:										
At 31 December 2023	**22,429**	**392,577**	**23,068**	**93,942**	**15,005**	**3,760**	**545**	**2,050**	**3,993**	**557,369**
At 31 December 2022	22,759	401,619	22,173	116,625	21,143	4,026	301	2,337	5,395	596,378

As at 31 December 2023, the Group had pledged certain office premises with an aggregate carrying value of approximately HK$361,465,000 (2022: HK$369,790,000) to a bank.

17. RIGHT-OF-USE ASSETS

	Land and buildings (note) HK$'000	Office and testing equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2022	113,581	601	—	114,182
Additions	32,653	—	1,415	34,068
Depreciation	(30,811)	(172)	(203)	(31,186)
Effect of modification to lease terms	16,442	—	—	16,442
Disposal	(11,682)	—	—	(11,682)
Foreign exchange movement	(72)	—	14	(58)
At 31 December 2022 and 1 January 2023	**120,111**	**429**	**1,226**	**121,766**
Additions	**581**	**733**	**—**	**1,314**
Depreciation	**(31,419)**	**(181)**	**(289)**	**(31,889)**
Effect of modification to lease terms	**2,118**	**472**	**—**	**2,590**
Disposal	**(483)**	**(695)**	**—**	**(1,178)**
Foreign exchange movement	**(22)**	**—**	**(22)**	**(44)**
At 31 December 2023	**90,886**	**758**	**915**	**92,559**

Note: The Group has lease contracts for factory and offices, which are mainly located in PRC and Hong Kong. The lease terms of contracts are generally from 1 to 10 years which include the period covered by extension options.

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18. INTANGIBLE ASSETS

	Brand name HK$'000	Goodwill HK$'000	Total HK$'000
Cost:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**6,196**	**1,530**	**7,726**
Accumulated amortisation and impairment:			
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**1,371**	**1,530**	**2,901**
Carrying amount:			
At 31 December 2023	**4,825**	**—**	**4,825**
At 31 December 2022	4,825	—	4,825

18. INTANGIBLE ASSETS (CONTINUED)

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

For impairment testing, brand name of Innovision's brand is allocated to the cash generating unit (CGU) — VGA Cards retailing business that contribute the cash flows.

The recoverable amount of the CGU for Innovision's brand name has been determined from value in use calculations. The Group prepares cash flow projections derived from the most recent financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the long-term growth rate stated below.

The key assumptions used for value in use calculations are as follows:

	2023	2022
Profit margin (average of next three years)	**1.5%**	0.8%
Long-term growth rate	**2.5%**	2.5%
Growth rate for 2024 (2022: 2023)	**6.0%**	–13.5%
Growth rate for 2025 to 2026 (2022: 2024 to 2025)	**–0.9-5.0%**	2.5–5%
Discount rate	**17.48%**	19.22%

Management determined the profit margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry. The discount rate used is pre-tax and reflects specific risks relating to the CGU. The growth rates are based on industry growth forecasts. Profit margin is based on historical data of the CGU.

The recoverable amount of the CGU based on the estimated value in use calculations was higher than its carrying amount at 31 December 2023. Accordingly, no provision for impairment loss for Innovision's brand name is considered necessary.

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19. OTHER FINANCIAL ASSET

	2023 HK$'000	2022 HK$'000
Equity investment measured at FVTOCI — Non-current		
— Preferred stock in Dreamscape Immersive Inc. (note)	**1,268**	1,268
Total	**1,268**	1,268

Note:

This is an investment in 1% interest of preferred stock in a private company incorporated in the U.S.A. It is not accounted for under the equity method as the Group does not have the power to participate in the formulation of its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level. The Group does not have the right to appoint any directors in the board.

The Group has irrevocably elected at initial recognition to measure the investment at fair value through other comprehensive income upon adoption of HKFRS 9 as it is a strategic investment. No dividends were received on this investment during the year (2022: Nil). The reconciliation of unlisted equity investment is disclosed under note 39.

20. INTEREST IN A JOINT VENTURE

	2023 HK$'000	2022 HK$'000
Share of net assets	**–**	–

The Group and another independent third party formed a sino-foreign equity joint venture enterprise in the PRC on 25 March 2019 and each has 50% interest in the joint venture, FuZhou Partner Cloud Technology Co., Limited ("Partner Cloud"). The primary activity of Partner Cloud is the leasing of servers and projects involving cloud computing, container cloud and deep learning in the PRC.

The Group contributed cash of US$2,317,200 (approximately HK$18,146,000) and VGA Cards of US$14,482,800 (approximately HK$113,414,000). The other joint venture partner contributed computer servers and accessories of US$16,800,000 (approximately HK$131,560,000).

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Partner Cloud. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

20. INTEREST IN A JOINT VENTURE (CONTINUED)

The joint venture enterprise has ceased operations since July 2021 as requested by the PRC provincial government to perform a self-investigation to identify whether there was computational power in data center serving cryptocurrency mining which are required to suspend immediately.

As at 31 December 2021, the carrying value of each of the underlying assets of the joint venture enterprise was stated at their respective estimated recoverable amount as the joint venture enterprise has ceased operations and the possibility of resumption of the business of the joint venture enterprise is highly uncertain in light of the regulatory environment of the PRC in relation to cryptocurrency mining. The directors performed an impairment testing of the carrying value of the interest in a joint venture in accordance with the Group's accounting policy and conclude that the carrying value of the interest in a joint venture is a close approximation of the fair value less costs of disposal of the interest in a joint venture and no impairment is required to be recognised.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	2023 **HK$'000**	2022 HK$'000
As 31 December		
Current assets	**4,174**	38,207
Non-current assets	**73,857**	274,382
Current liabilities	**(489,042)**	(504,933)
Net liabilities	**(411,011)**	(192,344)
Included in the above amounts are:		
Cash and cash equivalents	**4,174**	38,205
Year ended 31 December		
Revenue	**–**	–
Loss for the year	**(225,178)**	(280,145)
Included in the above amounts are:		
Depreciation and amortisation	**194,040**	273,803
Interest income	**56**	119

The Group has discontinued the recognition of its share of loss of the joint venture, because the share of loss of the joint venture exceeds the Group's interest in the joint venture and the Group has no obligation to take up further loss. The amount of the Group's unrecognised share of loss of the joint venture for the current year was HK$112,589,000 (2022: HK$99,560,000). As at 31 December 2023, the accumulated unrecognised loss of the joint venture was HK$212,149,000 (2022: HK$99,560,000).

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21. DEFERRED TAX

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

	Decelerated tax depreciation	Provision for doubtful debts, annual leave and warranty	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	171	9,470	—	9,641
Charged to profit or loss	(360)	(5,239)	—	(5,599)
Exchange difference	(2)	(41)	—	(43)
At 31 December 2022 and 1 January 2023	**(191)**	**4,190**	**—**	**3,999**
(Charged)/credited to profit or loss (note 11)	**(7)**	**458**	**1,331**	**1,782**
Exchange difference	**—**	**7**	**—**	**7**
At 31 December 2023	**(198)**	**4,655**	**1,331**	**5,788**

Deferred tax asset has not been recognised for the following:

	2023	2022
	HK$'000	HK$'000
Unused tax losses	**181,737**	52,788
Other deductible temporary differences	**393,632**	373,037
	575,369	425,825

The PRC subsidiaries of the Company are subject to PRC withholding income tax at a statutory rate of 10% (2022: 10%) on any dividend declared. The temporary difference associated with investment in subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately HK$150,328,000 (2022: HK$194,983,000). The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

No deferred tax asset has been recognised in respect of the unused tax losses of HK$181,736,000 (2022: HK$52,788,000) and other deductible temporary differences due to the unpredictability of future profit streams which the deductible temporary differences can be utilised. The other deductible temporary differences mainly consist of full impairment losses on the outstanding balance of the customer as set out in note 23(d). Tax losses amounting to approximately HK$104,613,000 (2022: HK$9,157,000) could be carried forward indefinitely. Remaining tax losses amounting to approximately HK$77,123,000 (2022: HK$43,631,000) will expire from 2028 to 2038.

22. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**639,171**	1,106,830
Work in progress	**19,424**	25,513
Finished goods	**626,837**	853,095
	1,285,432	1,985,438
Less: Provision for obsolete inventories	**(149,940)**	(153,479)
	1,135,492	1,831,959

23. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables at amortised cost	**1,061,508**	1,469,736
Less: Accumulated impairment losses	**(308,741)**	(313,948)
Trade receivables at amortised cost, net (note (a))	**752,767**	1,155,788
Trade receivables at fair value through profit or loss (note (b))	**61,859**	28,918
Other receivables (note (c))	**20,554**	12,785
Deposits and prepayments	**70,140**	74,048
Less: Accumulated impairment losses	**(5,559)**	(5,559)
	64,581	68,489
	899,761	1,265,980
Less: Other receivables — non-current portion	**(1,149)**	(409)
Rental deposits — non-current portion	**(4,515)**	(4,974)
	(5,664)	(5,383)
Trade and other receivables — current portion	**894,097**	1,260,597

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2023 and 31 December 2022, the Group entered into trade receivables factoring arrangement and transferred certain trade receivables to banks.

The details of factoring loans without recourse are set out in note (b).

Notes:

(a) The ageing analysis of trade receivables at amortised cost (net of impairment losses) of the Group, based on invoice dates, as at the end of the year is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**403,872**	751,228
Over 1 month but within 3 months	**316,703**	289,707
Over 3 months but within 1 year	**29,703**	110,108
Over 1 year	**2,489**	4,745
	752,767	1,155,788

The Group recognised impairment losses based on the accounting policy stated in note 4(f).

The credit period on sale of goods is 14 to 90 days (2022: 30 to 90 days) from the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 38(a).

(b)

	2023 HK$'000	2022 HK$'000
Trade receivables at fair value through profit or loss	**61,859**	28,918

It represents trade receivables which are subject to a factoring arrangement without recourse with specific customers. Under this arrangement, the Group will transfer the relevant receivables to the bank in exchange for cash after year end.

The Group considers this is a "hold to sell" model and hence these trade receivables are measured at fair value through profit or loss.

The Group is also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period is HK$61,859,000 (2022: HK$28,918,000).

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) (continued)

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on invoice dates, as at the end of the year is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**22,221**	14,064
Over 1 month but within 3 months	**39,638**	14,704
Over 3 months but within 1 year	**—**	150
	61,859	28,918

The credit period of sales of goods is 60 to 90 (2022: 30 to 90 days) days from the invoice date.

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on due dates, as at the end of the year is as follows:

	2023 HK$'000	2022 HK$'000
Not past due	**59,679**	28,768
Within 1 month past due	**2,180**	150
	61,859	28,918

(c) The balance includes a claim of HK$2,460,000 (2022: HK$2,460,000) under an insurance policy as detailed in note 26(b).

(d) During the year ended 31 December 2019, the Group entered into a sales contract with a customer for sale of VGA Cards under which the sales amount would be paid by the customer in instalments the last of which would fall in May 2021. During 2020, a revised repayment schedule was agreed by both parties and the last instalment will fall in September 2022. As at 31 December 2023, the total outstanding balance due from the customer which is fully impaired amounted to HK$294,617,000 (2022: HK$302,943,000). The crack down on cryptocurrency mining and trading in China in 2021 has forced the customer to cease operation and resulted in a repayment issue of the remaining instalment receivable. The Group has reviewed the collectability of the debts as at 31 December 2021, it is uncertain when the customer will be able to resume the payment of the remaining balance according to the instalment payment scheme. Therefore, the Group has decided to make a full impairment of the total outstanding balance of the customer in the year ended 31 December 2021. The sales contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months and is accounted for in accordance with the Group's accounting policy set out in note 4(g).

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24. RIGHT OF RETURN ASSETS

	2023 HK$'000	2022 HK$'000
Right of return assets	**38,601**	69,561

The right of return assets represent the products expected to be returned from customers where customers exercise their right of return within two to three years from the date of sales ("Warranty Period"). The Group uses its accumulated historical experience to estimate the expected level of returns. The Group's accounting policy of right of return assets is set out in note 4(g).

25. CASH AND BANK BALANCES

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**1,057,530**	1,675,790
Bank deposit pledged for corporate credit card	**336**	336
Time deposits	**1,433,351**	531,197
	2,491,217	2,207,323
Less: Bank deposit pledged for corporate credit card	**(336)**	(336)
Time deposits more than three months to maturity when placed	**(390,500)**	—
	(390,836)	(336)
Cash and cash equivalents	**2,100,381**	2,206,987

25. CASH AND BANK BALANCES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
Renminbi	**192,551**	52,113
Japanese Yen	**39,483**	28,004
Taiwan Dollars	**1,043**	1,897
United States Dollars	**1,762,021**	1,722,168
Hong Kong Dollars	**62,527**	375,514
Korean Won	**41,587**	21,541
Euro	**1,139**	5,726
Others	**30**	24
	2,100,381	2,206,987

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

26. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**1,046,866**	965,382
Other payables and accruals (notes (a), (b))	**233,182**	272,370
	1,280,048	1,237,752

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

Notes:

(a) As at 31 December 2023, other payables and accruals mainly comprised provision for social insurance and accrued expenses.

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For the year ended 31 December 2023

26. TRADE AND OTHER PAYABLES (CONTINUED)

Notes: (continued)

(b) On 22 August 2016, a joint liquidator of Changtel Solutions UK Limited ("Changtel"), which is a customer of the Group, informed the Group that Changtel was wound up by the United Kingdom ("UK") Court on 28 January 2015 and alleged that the transactions between Changtel and the Group during Changtel's winding-up period from 7 June 2013 to 28 January 2015 ("Winding-up Period") are void pursuant to section 127 of UK Insolvency Act 1986. Based on this, the joint liquidator requested for a return of sales payments, which is the contractual payments for goods sold and delivered by the Group to Changtel during the Winding-up Period.

The Group was not aware of the winding up action against Changtel. The management has sought for legal opinion from a local independent lawyer. According to the legal opinion, such payment may be valid if validation order is granted by the court to the Group. However, the lawyer does not consider that any application for a validation order by the Group is likely to succeed. As such, the Group has made a provision of HK$6,456,000 (2022: HK$6,456,000) in respect of the abovementioned demand, of which HK$2,460,000 (2022: HK$2,460,000) is covered by insurance policy (note 23(c)). Up to the date of this report, there is no further update from the liquidator.

The movement of provision for demand of repayment is as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	**6,456**	6,446
Exchange difference	**—**	10
At 31 December	**6,456**	6,456

The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of the year is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**714,376**	528,216
Over 1 month but within 3 months	**291,472**	396,056
Over 3 months but within 1 year	**36,587**	37,163
Over 1 year	**4,431**	3,947
	1,046,866	965,382

27. REFUND LIABILITIES

	2023 HK$'000	2022 HK$'000
Refund liabilities	**48,837**	83,794

The refund liabilities relate to customer's right of return of defective products within the Warranty Period. At the point of sales, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the sales amount of returned goods.

28. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Contract liabilities arising from:		
Sale of goods	**60,957**	76,521

Movements in contract liabilities

	2023 HK$'000	2022 HK$'000
At 1 January	**76,521**	209,564
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(50,876)**	(178,995)
Decrease in contract liabilities as a result of settlement of volume rebates and sales allowances during the year that was included in the contract liabilities at the beginning of the year	**(13,211)**	(13,731)
Increase in contract liabilities as a result of advance consideration received from customers during the year	**40,051**	45,995
Increase in contract liabilities as a result of volume rebates and sales allowances to customers during the year	**8,463**	13,314
Under provision of volume rebate in prior year	**—**	175
Exchange difference	**9**	199
At 31 December	**60,957**	76,521

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29. BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loans — secured and guaranteed	**184,880**	192,637
Import loans — guaranteed	**797,546**	1,546,096
	982,426	1,738,733

The above borrowings are denominated in HK$ and US$ as follows:

	2023 Denominated in			2022 Denominated in		
	HK$ HK$'000	US$ HK$'000	Total HK$'000	HK$ HK$'000	US$ HK$'000	Total HK$'000
Bank loans — secured and guaranteed	**184,880**	**—**	**184,880**	192,637	—	192,637
Import loans — guaranteed	**797,546**	**—**	**797,546**	901,954	644,142	1,546,096
	982,426	**—**	**982,426**	1,094,591	644,142	1,738,733

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

	2023 HK$'000	2022 HK$'000
Within 1 year	**805,303**	1,553,853
Over 1 year but within 2 years	**7,757**	7,757
Over 2 years but within 5 years	**169,366**	177,123
	982,426	1,738,733

29. BORROWINGS (CONTINUED)

(i) At 31 December 2023, the above borrowings bear interest at effective interest rates ranging from 0.8% to 2.5% (2022: 0.8% to 2.5%) per annum over cost of funds for the year.

(ii) At 31 December 2023, leasehold land and building with aggregate carrying value of approximately HK$361,465,000 (2022: HK$369,790,000) was pledged to a bank to secure the mortgage loan of HK$184,880,000 (2022: HK$192,637,000) granted to the Group.

(iii) At 31 December 2023, bank deposits of HK$336,000 (2022: HK$336,000) were pledged to a bank to secure the corporate credit card granted to the Group.

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

30. PROVISION FOR PRODUCT WARRANTIES AND RETURNS

	2023 HK$'000	2022 HK$'000
Provision for product warranties and returns		
At 1 January	**39,436**	61,118
Additional/(reversal of) provision, net	**17,404**	(12,455)
Utilisation	**(15,716)**	(9,227)
Net movement for the year	**1,688**	(21,682)
At 31 December	**41,124**	39,436

Under the terms of certain sales agreements of the Group, the Group will rectify any product defects arising within Warranty Period. Provision is therefore made for the best estimate of the expected settlement of warranty under such sales agreements. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

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31. LEASES

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions where it operates. The terms of property leases vary from jurisdictions, although they all tend to be tenant repairing with rent reviews every 1 to 10 years and many have break clauses. The Group also leases certain items of office and testing equipment and motor vehicles. All leases comprise only fixed payments over the lease terms.

Lease liabilities

	Land and buildings	Office and testing equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	120,663	610	—	121,273
Additions	32,653	—	1,415	34,068
Interest expense	4,597	13	26	4,636
Disposal	(11,844)	—	—	(11,844)
Effect of modification to lease terms	16,442	—	—	16,442
Lease payments	(34,737)	(182)	(217)	(35,136)
Foreign exchange movements	(1,395)	—	14	(1,381)
At 31 December 2022 and 1 January 2023	**126,379**	**441**	**1,238**	**128,058**
Additions	**581**	**733**	**—**	**1,314**
Interest expense	**4,487**	**22**	**31**	**4,540**
Disposal	**(488)**	**(710)**	**—**	**(1,198)**
Effect of modification to lease terms	**2,103**	**472**	**—**	**2,575**
Lease payments	**(35,456)**	**(198)**	**(311)**	**(35,965)**
Foreign exchange movements	**(88)**	**—**	**(22)**	**(110)**
At 31 December 2023	**97,518**	**760**	**936**	**99,214**

31. LEASES (CONTINUED)

Lease liabilities (Continued)

Future lease payments are due as follows:

	Minimum lease payments 31 December 2023 HK$'000	Interest 31 December 2023 HK$'000	Present value 31 December 2023 HK$'000
Not later than 1 year	**33,711**	**3,547**	**30,164**
Later than 1 year and not later than 2 years	**29,065**	**2,396**	**26,669**
Later than 2 years and not later than 5 years	**44,065**	**1,684**	**42,381**
	106,841	**7,627**	**99,214**

	Minimum lease payments 31 December 2022 HK$'000	Interest 31 December 2022 HK$'000	Present value 31 December 2022 HK$'000
Not later than 1 year	35,504	4,640	30,864
Later than 1 year and not later than 2 years	33,075	3,510	29,565
Later than 2 years and not later than 5 years	71,678	4,049	67,629
	140,257	12,199	128,058

The present value of future lease payments are analysed as:

	2023 HK$'000	2022 HK$'000
Current liabilities	**30,164**	30,864
Non-current liabilities	**69,050**	97,194
	99,214	128,058

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31. LEASES (CONTINUED)

Disclosures under HKFRS 16

	2023 HK$'000	2022 HK$'000
Short term lease expense	505	2,991
Low value lease expense	24	20
Aggregate undiscounted commitments for short term leases	5,829	5,686

32. SHARE CAPITAL

	2023 Number of shares	2023 Amount HK$'000	2022 Number of shares	2022 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At beginning of year	387,683,668	38,768	387,383,668	38,738
Share options exercised	200,000	20	300,000	30
At end of year	387,883,668	38,788	387,683,668	38,768

33. SHARE-BASED PAYMENT

A share option scheme (the "2016 Share Option Scheme") was adopted by the Company on 17 June 2016. The primary purpose of the 2016 Share Option Scheme is to provide incentives or rewards to eligible participants.

2016 Share Option Scheme

a) *Purpose of the 2016 Share Option Scheme*

The purpose of the 2016 Share Option Scheme is to enable the Company to grant share options ("Options") to participants as incentives or rewards for their retention and contribution or potential contribution to the Group.

b) *Participants of the 2016 Share Option Scheme*

The Board may, at its absolute discretion, invite any employees, proposed employees, directors, advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, and any company wholly owned by one or more persons belonging to any of the above classes of participants to take up Options to subscribe for shares.

c) *Maximum number of Shares available for subscription*

The maximum number of shares in respect of which options may be granted under the 2016 Share Option Scheme is 41,751,866 shares, representing 10% of issued share capital of the Company as at the date of adoption of the 2016 Share Option Scheme.

d) *Total Maximum Entitlement of each Eligible Participant*

The total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

e) *Maximum Period within which an Option may be exercised*

The period within which an Option may be exercised must not exceed 10 years from the date of grant of the Option.

f) *Duration of the 2016 Share Option Scheme*

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years from the effective date i.e. 17 June 2016.

Option under the 2016 Share Option Scheme were granted on 26 August 2016 and 22 September 2020.

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33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (Continued)

g) Option Period

Unless otherwise determined by the Board at their absolute discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an Option can be exercised.

h) Payment of Acceptance of an Option

The offer of a grant of share options under the 2016 Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee.

i) Subscription Price

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the subscription price must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Without prejudice to the generality of the foregoing, the Board may grant options in respect of which the subscription price is fixed at different prices for certain periods during the option period.

The fair values for total share options granted to directors, employees and external consultant amounted to HK$2,945,000 and HK$6,267,000 respectively and were calculated using the Binomial Option Pricing Model. The weighted average remaining contractual life of the share options outstanding at 31 December 2023 is Nil (2022: 0.25 year).

33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (Continued)

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

	Date of grant	Exercise price per share (note 1) HK$	Exercise period	Vesting period	2023 Number of option shares Outstanding at 1 January 2023 '000	Granted during the year '000	Exercised during the year '000	Cancelled during the year '000	Lapsed during the year '000	Outstanding at 31 December 2023 '000	Exercisable at 31 December 2023 '000	Weighted average closing price of shares immediately before the dates of exercise HK$
Directors												
Mr. WONG Shik Ho Tony	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. WONG Fong Pak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. LEUNG Wah Kan	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. MAN Wai Hung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. HO Nai Nap	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mrs. HO WONG Mary Mee-Tak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. LAI Kin Jerome	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. IP Shing Hing, *B.B.S., J.P.*	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	(200)	–	–	–	–	5.404
Mr. CHEUNG Ying Sheung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Sub-total	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	(200)	–	–	–	–	
Employees	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	90	–	–	–	(90)	–	–	N/A
External consultant (note 2)	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Total					290	–	(200)	–	(90)	–	–	

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33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (Continued)

					2022 Number of option shares							
	Date of grant	Exercise price per share (note 1) HK$	Exercise period	Vesting period	Outstanding at 1 January 2022 '000	Granted during the year '000	Exercised during the year '000	Cancelled during the year '000	Lapsed during the year '000	Outstanding at 31 December 2022 '000	Exercisable at 31 December 2022 '000	Weighted average closing price of shares immediately before the dates of exercise HK$
Directors												
Mr. WONG Shik Ho Tony	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. WONG Fong Pak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. LEUNG Wah Kan	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. MAN Wai Hung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. HO Nai Nap	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mrs. HO WONG Mary Mee-Tak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. LAI Kin Jerome	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Mr. IP Shing Hing, *B.B.S., J.P.*	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	–	–	–	200	200	N/A
Mr. CHEUNG Ying Sheung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Sub-total	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	–	–	–	200	200	
Employees	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	390	–	(300)	–	–	90	90	10.76
External consultant (note 2)	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	–	–	–	–	–	–	–	N/A
Total					590	–	(300)	–	–	290	290	

Notes:

1. The closing price per share as quoted on the Stock Exchange on 21 September 2020, being the date immediately before the date of grant of the options described in the table above, is HK$1.61.

2. The external consultant is Ms. LEUNG Sau Fong, Ms. LEUNG was the secretary of the Company before tendering her resignation with effect from 1 September 2021. The share options were granted to her as rewards for her contribution to the Group.

33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (Continued)

The inputs into the model were as follows:

	"2016 Share Option Scheme" Employees, external consultant and directors As at 22 September 2020
Weighted average share price	1.61
Weighted average exercise price	1.61
Expected volatility	73.29%
Expected life	2.52 years
Risk-free interest rate	0.139%
Early exercise behaviour	220% to 280%
Expected dividend yield	5.83%

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

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

Expected dividend yield is based on historical dividend yield.

The options under the "2016 Share Option Scheme" were expected to be exercised when the share price of the underlying security of the options rises ranging from 220% to 280% of the exercise price.

Changes in the subjective input assumptions could materially affect the fair value estimate.

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

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34. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2023 HK$'000	2022 HK$'000
Cash available on demand	2,100,381	2,206,987

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (note 29) HK$'000	Lease liabilities (note 31) HK$'000
At 1 January 2023	1,738,733	128,058
Repayment of bank loans	(7,757)	–
Repayment of lease liabilities	–	(31,425)
Repayment of import loans	(3,119,178)	–
Total changes from financing cash flows:	(3,126,935)	(31,425)
Other changes:		
Decrease in trade payables	2,367,329	–
Addition	–	1,314
Effect of modification to lease terms	–	2,575
Disposal	–	(1,198)
Exchange difference	3,299	(110)
Total other changes	2,370,628	2,581
At 31 December 2023	982,426	99,214

34. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Borrowings (note 29) HK$'000	Lease liabilities (note 31) HK$'000
At 1 January 2022	702,337	121,273
Proceeds of bank loans	193,930	—
Repayment of bank loans	(1,293)	—
Repayment of lease liabilities	—	(30,500)
Repayment of import loans	(2,887,326)	—
Total changes from financing cash flows:	(2,694,689)	(30,500)
Other changes:		
Decrease in trade payables	3,737,536	—
Addition	—	34,068
Effect of modification to lease terms	—	16,442
Disposal	—	(11,844)
Exchange difference	(6,451)	(1,381)
Total other changes	3,731,085	37,285
At 31 December 2022	1,738,733	128,058

35. CAPITAL COMMITMENTS

At 31 December 2023 and 2022, the Group had the following capital commitments contracted for but not provided in respect of:

	2023 HK$'000	2022 HK$'000
Acquisition of property, plant and equipment	**15,883**	3,753

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36. RELATED PARTIES AND CONNECTED TRANSACTIONS

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

	2023 HK$'000	2022 HK$'000
Related parties and connected transactions		
Related company owned by a director of the Company		
— rental expenses	–	840
Director of a subsidiary		
— rental expenses	–	276

Rental expenses were charged according to the agreements.

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

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

The related parties transactions in respect of rental expenses above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

37. CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 29 and the lease liabilities disclosed in note 31 and equity of the Group, comprising share capital, reserves and retained profits disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debts (debts less cash and bank balances) to equity.

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

	2023 HK$'000	2022 HK$'000
Debts	1,081,640	1,866,791
Cash and bank balances	(2,491,217)	(2,207,323)
Net debts	Nil	Nil
Total equity	2,774,215	2,851,145
Net debt to equity ratio	Nil	Nil

38. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

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For the year ended 31 December 2023

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

As at 31 December 2023, the Group has a certain concentration of credit risk as 0.0% (2022: 3.6%) and 16.1% (2022: 21.9%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

Measurement of expected credit loss on individual basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on individual basis as at 31 December 2023:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Within 1 month	–	549	–
Over 1 year past due	99.188%	297,029	294,618
		297,578	294,618

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on individual basis as at 31 December 2022:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Over 1 month but within 3 months past due	–	34,631	–
Over 3 months but within 1 year past due	78.230%	243,377	190,393
Over 1 year past due	97.429%	115,520	112,550
		393,528	302,943

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on collective basis as at 31 December 2023:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Not past due	**0.066%**	**551,068**	**361**
Within 1 month past due	**0.287%**	**178,130**	**511**
Over 1 month but within 3 months past due	**2.950%**	**17,254**	**509**
Over 3 months but within 1 year past due	**26.488%**	**6,384**	**1,691**
Over 1 year past due	**99.612%**	**11,094**	**11,051**
		763,930	**14,123**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on collective basis as at 31 December 2022:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Not past due	0.004%	924,886	33
Within 1 month past due	0.042%	113,420	48
Over 1 month but within 3 months past due	0.288%	20,153	58
Over 3 months but within 1 year past due	1.218%	5,665	69
Over 1 year past due	89.350%	12,084	10,797
		1,076,208	11,005

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of expected credit loss on collective basis (Continued)

As at 31 December 2023, the Group held pledges of landed properties for certain of these balances amounted to HK$2,960,000 (2022: HK$3,043,000) while the fair value of pledged landed properties amounted to HK$3,749,000 (2022: HK$3,855,000). The Group does not have the right to sell or re-pledge the properties held as collateral in the absence of default by customers.

Movement in the loss allowance account in respect of trade receivables at amortised cost during the year is as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	313,948	338,123
Impairment losses recognised during the year	3,118	533
Exchange difference	(8,325)	(24,708)
At 31 December	308,741	313,948

The credit risk on cash and bank balances and derivative financial assets are limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Other receivables measured at amortised cost are subject to the ECLs model and the loss allowances are limited to 12-month ECLs as there has not been a significant increase in credit risk since initial recognition. The ECLs of other receivables as at 31 December 2023 were determined to be immaterial.

The loss allowance for deposits and prepayments are based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Movement in the loss allowance account in respect of deposits and prepayments during the year is as follows:

	2023 HK$'000	2022 HK$'000
At 1 January	5,559	5,559
Impairment losses recognised during the year	–	–
Exchange difference	–	–
At 31 December	5,559	5,559

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

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

	Carrying amount	**Total contractual undiscounted cash flows**	**On demand or within 1 year**	**Over 1 year but within 2 years**	**More than 2 years within 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2023					
Trade and other payables	**1,280,048**	**1,280,048**	**1,280,048**	**–**	**–**
Borrowings	**982,426**	**982,426**	**982,426**	**–**	**–**
Lease liabilities	**99,214**	**106,841**	**33,711**	**29,065**	**44,065**
Total	**2,361,688**	**2,369,315**	**2,296,185**	**29,065**	**44,065**
At 31 December 2022					
Trade and other payables	1,237,752	1,237,752	1,237,752	–	–
Borrowings	1,738,733	1,738,733	1,738,733	–	–
Lease liabilities	128,058	140,257	35,504	33,075	71,678
Total	3,104,543	3,116,742	3,011,989	33,075	71,678

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For the year ended 31 December 2023

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year	Over 1 year but within 2 years	More than 2 years but within 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2023	**982,426**	**1,012,338**	**819,297**	**13,616**	**179,425**
31 December 2022	1,738,733	1,781,189	1,575,886	13,441	191,862

(c) Interest rate risk

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

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

	2023		2022	
	Effective interest rate (per annum)	**HK$'000**	Effective interest rate (per annum)	HK$'000
Variable rate borrowings:				
Bank loans	**3.38%**	**184,880**	3.13%	192,637
Import loans	**6.22%**	**797,546**	5.37%	1,546,096
		982,426		1,738,733
Fixed rate borrowings:				
Lease liabilities	**4.14%**	**99,214**	4.14%	128,058

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

At 31 December 2023, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the year ended 31 December 2023 by approximately HK$4,102,000 (2022: HK$7,259,000) respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis as 2022.

(d) Currency risk

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

The following table details the Group's exposure at 31 December 2023 and 2022 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2023 Renminbi HK$'000	2022 Renminbi HK$'000	**2023 Euro HK$'000**	2022 Euro HK$'000
Trade and other receivables	**1,296**	83,342	**173**	125
Cash and bank balances	**94,726**	4,208	**354**	4,460
Trade and other payables	**(23,534)**	(23,577)	**(962)**	(2,576)
Lease liabilities	**(128)**	(878)	**—**	—
Overall net exposure	**72,360**	63,095	**(435)**	2,009

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (Continued)

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

	Increase in foreign exchange rates	Effect on profit after income tax HK$'000
As at 31 December 2023		
Renminbi	**5%**	**3,021**
Euro	**5%**	**(18)**
As at 31 December 2022		
Renminbi	5%	2,634
Euro	5%	84

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the periods until the next annual reporting date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2022.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2023 Carrying amount HK$'000	2022 Carrying amount HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Trade receivables at fair value through profit or loss	**61,859**	28,918
Financial assets at amortised cost		
— Cash and bank balances	**2,491,217**	2,207,323
— Trade and other receivables	**821,181**	1,219,472
Financial asset at fair value through other comprehensive income		
— Unlisted equity investment	**1,268**	1,268
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	**1,276,897**	1,233,030
— Refund liabilities (note (a)(a))	**48,837**	83,794
— Contract liabilities (note (a)(b))	**8,823**	13,577
— Borrowings	**982,426**	1,738,733
— Lease liabilities	**99,214**	128,058

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

	Group 2023			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	**—**	**61,859**	**—**	**61,859**
Financial asset at fair value through other comprehensive income				
— Unlisted equity investment	**—**	**—**	**1,268**	**1,268**
	—	**61,859**	**1,268**	**63,127**

	Group 2022			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	—	28,918	—	28,918
Financial asset at fair value through other comprehensive income				
— Unlisted equity investment	—	—	1,268	1,268
	—	28,918	1,268	30,186

There were no transfers between levels during the year.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Reconciliation for financial instrument carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted equity investment	Financial asset at FVTOCI	
	2023	2022
	HK$'000	HK$'000
At 1 January	**1,268**	3,517
Total gains or losses:		
— in other comprehensive income (included in changes in fair value of financial assets at FVTOCI)	**—**	(2,249)
At 31 December	**1,268**	1,268

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate to their fair values.

Notes:

(a) Refund liabilities represent the estimated cash refund resulting from goods returned from customers during the Warranty Period.

(b) Contract liabilities included in above represent the estimated volume rebate to be settled in cash to customers. Contract liabilities of HK$52,134,000 (2022: HK$62,944,000) relating to receipt in advance from customers are not financial liabilities and excluded from above.

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39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of trade receivables at fair value through profit or loss is determined based on the weighted-average discount rates applicable to trade receivables factored without recourse during the year.

Information about level 3 fair value measurements

As at 31 December 2023, the fair value of the unlisted equity investment in Dreamscape Immersive Inc. is estimated by using the market approach and option pricing model based on the enterprise value to sales ratios of comparable companies. The valuation technique adopts expected enterprise value to sales ratio of 4.51 (2022: 4.51), volatility of 43.42% (2022: 43.42%) and risk-free rate of 4.42% (2022: 4.42%) as key unobservable inputs.

As at 31 December 2023, the fair value measurement is positively correlated to the enterprise value to sales ratio. It is estimated that with all other variables held constant, an increase/decrease in enterprise value to sales ratio by 1 would have increased/decreased the Group's other comprehensive income by approximately HK$435,000 and HK$366,000 respectively.

The Group considers that changes in the volatility and risk-free rate to the valuation technique disclosed above would not have a significant effect on fair value of the unlisted equity investment as at 31 December 2023 and 2022.

40. PARTICULARS OF SUBSIDIARIES

As at 31 December 2023, the particulars of the Company's principal subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
PC Partner Holdings Limited	BVI 2 May 1997	Hong Kong	US$4,264,757	100%	–	Investment holding
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories and computers
Zotac Holdings Limited	BVI 10 July 2003	Hong Kong	US$20,000,000	–	100%	Investment holding
PC Partner Limited	Hong Kong 12 February 1988	Hong Kong	HK$26,520,000	–	100%	Design, manufacture and sale of computer accessories and computers
Zotac International Macau Limited	Macau 20 September 2006	Macau	MOP100,000	–	100%	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	–	100%	Wholesale of computers, computer peripheral equipment and software
Zotac USA Inc. (Nevada)	U.S.A. 9 October 2007	U.S.A.	US$200,000	–	100%	Trading of computer accessories and computers
東莞栢能電子科技有限公司 (note i)	PRC 10 July 2009	PRC	US$21,600,000 (note ii)	–	100%	Subcontracting of computer accessories and computers
索泰 (東莞) 電子科技有限公司 (note i)	PRC 20 June 2016	PRC	RMB600,000	–	100%	Trading of computer accessories and computers

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40. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
Zotac Europe GmbH	Germany 25 September 2012	Germany	EUR25,000	–	100%	Provision of technical support services
PC Partner Wealth Investment Limited	Hong Kong 12 August 2013	Hong Kong	HK$20,000,000	–	100%	Investment holding
PC Partner Services Limited	Hong Kong 16 June 2021	Hong Kong	HK$10,000	–	100%	Provision of company secretarial services
PC Partner Investment Limited	BVI 21 December 2021	Hong Kong	US$50,000	–	100%	Investment holding
PC Partner Properties Limited	Hong Kong 30 December 2021	Hong Kong	HK$10,000	–	100%	Property holding
VRSense Solutions Limited	BVI 14 September 2016	Hong Kong	US$2,000,000	–	100%	Investment holding
Excelsior Technology Limited	BVI 18 July 1997	Hong Kong	US$1	–	100%	Investment holding
Zotac Technology Limited	Hong Kong 20 July 2005	Hong Kong	HK$150,000,000	–	100%	Trading of computer accessories and computers
卓能(東莞)數碼技術有限公司 (note i)	PRC 11 December 2017	PRC	RMB1,000,000	–	100%	Trading of computer accessories and computers
Zotac International Limited	Hong Kong 30 October 2017	Hong Kong	HK$1,000,000	–	100%	Holding of intellectual properties
Zotac Nippon Corporation	Japan 18 December 2017	Japan	JPY50,000,000	–	80%	Trading of computer accessories and computers

Notes:

(i) All subsidiaries established in the PRC are wholly foreign-owned enterprises.

(ii) As at 31 December 2023, the registered capital of US$21,298,265 was paid up and the remaining registered capital is not yet paid up to the date of this Annual Report.

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
Non-current assets		
Investment in a subsidiary	**538,467**	538,467
Current assets		
Prepayments and other receivables	**316**	151
Amounts due from subsidiaries	**510,853**	494,874
Cash and cash equivalents	**7,230**	76,345
Total current assets	**518,399**	571,370
Current liabilities		
Accruals	**9,471**	60,581
Amounts due to subsidiaries	**595**	—
Total current liabilities	**10,066**	60,581
Net current assets	**508,333**	510,789
NET ASSETS	**1,046,800**	1,049,256
Capital and reserves		
Share capital	**38,788**	38,768
Reserves (note)	**1,008,012**	1,010,488
TOTAL EQUITY	**1,046,800**	1,049,256

On behalf of the Board

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

Note:

Movements of the reserves of the Company are as follows:

	Share premium HK$'000	Other reserve (note) HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	196,993	495,778	340	6,930	700,041
Profit for the year	—	—	—	1,244,312	1,244,312
Dividends paid (note 14)	—	—	—	(934,318)	(934,318)
Shares issued under share option scheme	626	—	(173)	—	453
At 31 December 2022 and 1 January 2023	**197,619**	**495,778**	**167**	**316,924**	**1,010,488**
Profit for the year	**—**	**—**	**—**	**132,981**	**132,981**
Dividends paid (note 14)	**—**	**—**	**—**	**(135,759)**	**(135,759)**
Shares issued under share option scheme	**417**	**—**	**(115)**	**—**	**302**
Lapse of share options	**—**	**—**	**(52)**	**52**	**—**
At 31 December 2023	**198,036**	**495,778**	**—**	**314,198**	**1,008,012**

Note: Other reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation underwent in December 2011.

42. CONTINGENT LIABILITY

Included in the sales of products to the U.S.A. was the Group's own brand VGA cards, which are imported to U.S.A. as gaming component for custom declaration. During the year, the Group identified a classification issue on import declaration of VGA cards that CBP may treat VGA cards as computer component. Such classification would lead to a 25% tariff under China Section 301 Tariffs in a certain period of time and the maximum amount of the potential tariff approximates US$25 million (approximately HK$197 million).

The Group is of opinion that the VGA cards are specially designed and produced for gaming purposes and the classification under gaming component is proper. Under lawyer's advice, the Group took an initiative to rectify the declaration in CBP in order to avoid additional penalty on unreported tariff and subsequently would file a protest to CBP to request the clarity on the VGA card classification issue.

The Directors are of view that it was not probable that an outflow of economic benefits will be required on the above classification issue on declaration of imported goods to the U.S.A..

43. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in presentation in the current year.

44. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 March 2024.

PROPERTY INTERESTS HELD BY THE GROUP

Description	Group interest	Use	Tenure
2396 Bateman Avenue, Irwindale, California, U.S.A.	100%	For workshop and ancillary office purposes	Medium-term lease
28/F., NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong	100%	For the head office of the Group	Medium-term lease
Car Parking Spaces Nos. B2-P96, B2-P97, B2-P98, B2-P103, B2-P104, on Basement 2 Floor and B3-P4, B3-P5, B3-P6, B3-P7, B3-P8, B3-P9, B3-P10, B3-P76, B3-P77, B3-P78, B3-P79, B3-P80, B3-P81, B3-P82, B3-P83 on Basement 3 Floor of NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong	100%	For senior management staff and certain other authorised employees of the Group	Medium-term lease