THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PC Partner Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

PCPartner®

PC PARTNER GROUP LIMITED
栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

(1) PROPOSED OFF-MARKET SHARE BUY-BACK (2) CONNECTED TRANSACTION AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee

ODYSSEUS CAPITAL ASIA LIMITED
奧濼資本亞洲有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter of recommendation from the Independent Board Committee to the Disinterested Shareholders and a letter of advice from the Independent Financial Adviser to the Independent Board Committee regarding the Share Buy-back Agreement are set out on pages 16 to 17 and pages 18 to 38 of this circular respectively.

A notice convening the EGM to be held on Friday, 22 June 2018 at 3:00 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day at 2:30 p.m. (details of which are set out in the circular of the Company dated 30 April 2018) at Lobby Floor, Salon II & III, Hyatt Regency Hong Kong, Shatin, 18 Chak Cheung Street, Shatin, New Territories, Hong Kong is set out on pages 135 to 136 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

* *For identification purpose only*

23 May 2018

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 23 April 2018 in relation to, among other things, the Share Buy-back Agreement and the Share Buy-back
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Buy-back Price"	the proposed buy-back price of HK$5.00 per Buy-back Share
"Buy-back Shares"	74,700,000 Shares beneficially owned by the Vendors, as to 19,850,000 Shares by Perfect Choice and 54,850,000 Shares by Classic Venture
"Classic Venture"	Classic Venture International Inc., a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is beneficially owned by Mrs. Ho
"Companies Law"	the Companies Law (as revised) of the Cayman Islands
"Company"	PC Partner Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1263)
"Completion"	completion of the Share Buy-back in accordance with the terms and conditions of the Share Buy-back Agreement
"Completion Date"	the date on which Completion takes place
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"Disinterested Shareholder(s)"	Shareholder(s) other than (i) the members of the Vendors Concert Group; and (ii) Shareholders who are interested or involved in the Share Buy-back
"EGM"	the extraordinary general meeting of the Company to be convened and held on Friday, 22 June 2018 at 3:00 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day at 2:30 p.m. (details of which are set out in the circular of the Company dated 30 April 2018) at Lobby Floor, Salon II & III, Hyatt Regency Hong Kong, Shatin, 18 Chak Cheung Street, Shatin, New Territories, Hong Kong for considering and, if though fit, approving, among other things, the Share Buy-back Agreement and the transactions contemplated thereunder, or any adjournment thereof
"Executive"	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board established and comprising all the non-executive Directors (other than Mrs. Ho who is materially interested in the Share Buy-back), being Mr. Ip Shing Hing, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung, to make a recommendation to the Disinterested Shareholders as to whether the terms of the Share Buy-back are fair and reasonable and as to how to vote on the resolution to be proposed at the EGM in respect of the Share Buy-back Agreement and the Share Buy-back
"Independent Financial Adviser"	Odysseus Capital Asia Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in respect of the Share Buy-back Agreement and the Share Buy-back
"Latest Practicable Date"	18 May 2018, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Mrs. Ho"	Mrs. HO WONG Mary Mee-Tak, a non-executive Director
"Outstanding Share Options"	outstanding share options with the right to subscribe for a total of 600,000 new Shares which were granted to Mr. Leung Wah Kan, an executive Director, on 26 August 2016 exercisable at an exercise price of HK$1.09 per Share during the period from 26 February 2017 to 31 December 2018 (both dates inclusive) under the Share Option Scheme
"Perfect Choice"	Perfect Choice Limited, a company incorporated in the British Virgin Islands with limited liability and whose entire issued share capital is beneficially owned by Mrs. Ho
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Relevant Period"	the period commencing on 23 October 2017 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of par value HK$0.10 each in the share capital of the Company
"Share Buy-back"	the proposed buy-back of the Buy-back Shares by the Company from the Vendors for cancellation
"Share Buy-back Agreement"	the sale and repurchase agreement dated 23 April 2018 between the Vendors and the Company in relation to the Share Buy-back
"Share Buy-backs Code"	the Hong Kong Code on Share Buy-backs
"Share Option Scheme"	the share option scheme of the Company adopted pursuant to a resolution of the Shareholders passed on 17 June 2016
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Vendors"	collectively, Perfect Choice and Classic Venture
"Vendors Concert Group"	the Vendors and persons acting in concert with any of them, including Mrs. Ho and all the executive Directors, namely, Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Ho Nai Nap and Mr. Man Wai Hung
"%"	per cent.

PC PARTNER GROUP LIMITED
栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

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

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

Independent non-executive Directors
Mr. IP Shing Hing
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung

Registered office
Clifton House, 75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong
19/F., Shatin Galleria
18–24 Shan Mei Street
Fo Tan
Shatin
New Territories
Hong Kong

23 May 2018

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACK AND (2) CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Share Buy-back Agreement.

* *For identification purpose only*

This circular is to provide you with, among other things, (i) details of the Share Buy-back Agreement; (ii) a letter of recommendations from the Independent Board Committee to the Disinterested Shareholders in relation to the Share Buy-back Agreement and the Share Buy-back; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Share Buy-back Agreement and the Share Buy-back; (iv) other information required pursuant to the Share Buy-backs Code and the Listing Rules in relation to the Share Buy-back Agreement and the Share Buy-back; and (v) notice of the EGM.

SHARE BUY-BACK AGREEMENT

Date: 23 April 2018 (after trading hours)

Parties: (i) the Vendors as vendors

(ii) the Company as purchaser

Save that each of the Vendors is (a) a substantial shareholder of the Company and (b) a company whose entire issued share capital is beneficially owned by Mrs. Ho, who is a non-executive Director, each of the Vendors and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Number of Buy-back Shares

74,700,000 Shares, representing approximately 16.74% of the issued share capital of the Company as at the Latest Practicable Date, as to 19,850,000 Shares by Perfect Choice and 54,850,000 Shares by Classic Venture.

Consideration

The total consideration for the Share Buy-back is HK$373.5 million, equivalent to HK$5.00 per Buy-back Share, and is payable in cash. The Buy-back Price was determined following arm's length commercial negotiations between the Vendors and the Company, taking into account the movements in the price of the Shares over a period of time, in particular the period commencing 30 trading days prior to 29 March 2018, being the date when the discussion of the Share Buy-back between the Company and the Vendors began to take place (the "**Share Buy-back Negotiation Date**"), and prevailing market conditions. The total Buy-back Price will be paid by the Company to the Vendors as to 50% (HK$186.75 million) at Completion and 50% (HK$186.75 million) on 4 December 2018 (or such later date as the Vendors and the Company may otherwise agree).

The Buy-back Price represents:

(a) a discount of approximately 17.53% to the average closing price of approximately HK$6.06 per Share based on the daily closing prices of the Shares quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Share Buy-back Negotiation Date;

(b) a discount of approximately 1.40% to the closing price of HK$5.07 per Share as quoted on the Stock Exchange on the date of the Share Buy-back Agreement;

(c) a discount of approximately 2.15% to the average closing price of approximately HK$5.11 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(d) a discount of approximately 3.47% to the average closing price of approximately HK$5.18 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(e) a discount of approximately 7.06% to the average closing price of approximately HK$5.38 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(f) a discount of approximately 11.35% to the average closing price of approximately HK$5.64 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(g) a discount of approximately 19.87% to the closing price of HK$6.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(h) a premium of approximately 83.82% over the unaudited net asset value per Share attributable to Shareholders as at 31 December 2017 of approximately HK$2.72 per Share.

Conditions to Completion

Completion is conditional upon the satisfaction of the following conditions:

(a) the Executive having granted and not having withdrawn or revoked the approval for the Share Buy-back;

(b) resolution(s) voted on by poll approving the Share Buy-back Agreement and the transactions contemplated thereunder having been passed at the EGM by at least three-fourths of the Disinterested Shareholders present at the EGM;

(c) the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law; and

(d) all consents or approvals of any relevant government authorities or other relevant regulatory bodies in Hong Kong, the Cayman Islands or elsewhere which are required by the Vendors or the Company for entering into, and implementing the transaction contemplated by the Share Buy-back Agreement having been obtained and not having been withdrawn or revoked.

None of the conditions above is capable of being waived by the Vendors or the Company. If the above conditions are not fulfilled on or before 31 July 2018 (or such other date as the Vendors and the Company may from time to time agree in writing), the Share Buy-back Agreement shall cease and determine, and none of the parties shall have any further obligations and liabilities hereunder and none of the parties shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches. As at the Latest Practicable Date, none of the conditions above had been fulfilled and no such consents or approvals as mentioned in sub-paragraph (d) above had been identified.

Completion

Completion will take place on the seventh Business Day (or such other date as agreed between Vendors and the Company) after fulfillment of the conditions under the Share Buy-back Agreement.

Immediately upon Completion, the Company shall cancel the Buy-back Shares and any rights attaching thereto shall cease with effect from Completion. The Buy-back Shares are to be acquired by the Company ex the proposed final dividend of HK$0.28 per Share for the year ended 31 December 2017, if such dividend is approved by the Shareholders at the annual general meeting of the Company to be held on 22 June 2018. The Vendors will be entitled to receive such dividends in respect of the Buy-back Shares if they remain the beneficial owners of the Buy-back Shares on the record date for such dividends. Based on the record date of 3 July 2018, it is expected that the Vendors will still be the beneficial owners of the Buy-back Shares and entitled to receive such dividends.

FUNDING OF THE SHARE BUY-BACK

The Company will fund the Share Buy-back from the Company's retained profits. Under the Companies Law, any buy-back of Shares by the Company may only be funded out of the Company's profits, a fresh issue of Shares made for the purpose, the Company's share premium account, or if so authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought-back must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. As at 31 December 2017 the Group had cash and bank balances of approximately HK$1,453,815,000. The Company has sufficient surplus funds not currently required in its normal operations, which will be paid out of its retained profits, to effect the Share Buy-back.

REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

Reference is made to the Company's prospectus dated 29 December 2011. At the time when the Shares became listed on the Main Board of the Stock Exchange on 12 January 2012, Mrs. Ho, the widow of one of the co-founders of the Group, the late Mr. Ho Hin Wun Bosco, indirectly and ultimately beneficially owned 132,350,000 Shares, representing approximately 31.70% of the then issued share capital of the Company, through Classic Venture (as to 54,850,000 Shares, representing approximately 13.14% of the then issued share capital of the Company) and Perfect Choice (as to 77,500,000 Shares, representing approximately 18.56% of the then issued share capital of the Company). As at the date of the Share Buy-back Agreement, Mrs. Ho indirectly and ultimately beneficially owned 129,550,000 Shares, representing approximately 29.03% of the then issued share capital of the Company, through Classic Venture (as to 54,850,000 Shares, representing approximately 12.29% of the then issued share capital of the Company) and Perfect Choice (as to 74,700,000 Shares, representing approximately 16.74% of the then issued share capital of the Company).

Mrs. Ho has contemplated realising her interests in the Shares held through Perfect Choice by on-market disposal or through private placing over a period of time. In view of the thin average trading volume of the Shares, Mrs. Ho considers that it would take a certain period of time in order to dispose of the amount of Shares intended to be sold if it is through on-market disposal and such market-overhang might exert a downward pressure on the share prices over a considerable period of time and will not be in the interest of the Shareholders as a whole. Mrs. Ho has also come to the view that a private placing is not an ideal option either, as the third parties acquiring the Shares might not have a good understanding of the Group's business and might not share the same views concerning the development of the Group as those of the present management of the Company. Having considered the above, Mrs. Ho believes that the Share Buy-back is an appropriate means of realising her interest in Shares, which significantly reduces the potential impacts that on-market sale and private placing may have on the Company and the Shareholders.

In considering to proceed with the Share Buy-back, the Company has taken into consideration that:

(i) it is a good opportunity for the Company to buy-back a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume;

(ii) the Share Buy-back would allow the Company to buy-back Shares without significantly affecting the normal trading of the Shares in terms of price and volume, and is therefore less disruptive to the market compared to on-market transactions;

(iii) the Share Buy-back would enhance earnings per Share and dividend yield ratio, thus creating greater shareholder value which is in the interest of all Shareholders;

(iv) the other financial effects of the Share Buy-back on the Group as demonstrated in the paragraph headed "Financial effects of the Share Buy-back" below; and

(v) the deferred payment terms of the total Buy-back Price allow the Company to preserve cash for other possible opportunities whilst reducing the immediate cash outflows.

Despite the net assets per share and cash balances of the Company will decrease upon Completion, the Directors (including the independent non-executive Directors after taking into account the above factors and the advice of the Independent Financial Adviser) believe that the terms of the Share Buy-back (including the Buy-back Price) are fair and reasonable and the Share Buy-back is in the interests of the Company and the Shareholders as a whole. The Board considers that the Share Buy-back is on normal commercial terms but is not carried out in the usual and ordinary course of business of the Company.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there are no changes in the shareholding of the Vendors Concert Group and the issued share capital of the Company from the Latest Practicable Date up to Completion):

Shareholder	**As at the Latest Practicable Date**		**Immediately upon Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Perfect Choice *(Note 1)*	74,700,000	16.74	54,850,000	14.76
Classic Venture *(Note 1)*	54,850,000	12.29	—	—
Mr. Wong Shik Ho Tony *(Note 2)*	54,405,750	12.20	54,405,750	14.65
Mr. Wong Fong Pak *(Note 2)*	28,265,750	6.33	28,265,750	7.61
Mr. Leung Wah Kan *(Note 2)*	23,500,500	5.27	23,500,500	6.33
Mr. Ho Nai Nap *(Note 2)*	20,784,538	4.66	20,784,538	5.59
Mr. Man Wai Hung *(Note 2)*	5,577,065	1.25	5,577,065	1.50
Sub-total of the Vendors Concert Group	262,083,603	58.74	187,383,603	50.44
Public Shareholders	184,110,065	41.26	184,110,065	49.56
Total	446,193,668	100.00	371,493,668	100.00

Notes:

1. The entire issued share capital of each of Perfect Choice and Classic Venture is beneficially owned by Mrs. Ho Wong Mary Mee-Tak, who is a non-executive Director.

2. Each of Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Ho Nai Nap and Mr. Man Wai Hung is an executive Director.

FINANCIAL EFFECTS OF THE SHARE BUY-BACK

The Share Buy-back will not materially affect the financial position of the Group. On the assumption that the Share Buy-back had taken place on 31 December 2017, the earnings per Share for the year ended 31 December 2017 would have increased from approximately HK$0.75 to approximately HK$0.90. Assuming that the Share Buy-back had taken place on 31 December 2017, the dividend yield ratio will increase from approximately 6.31% to 7.59% by applying the closing share price as at the date of the Share Buy-back Agreement.

The unaudited pro forma consolidated financial information of the Group upon Completion illustrating the financial impact of the Share Buy-back on the assets and liabilities of the Group is set out in appendix II to this circular.

Based on the unaudited pro forma consolidated statement of financial position of the Group as set out in appendix II to this circular and assuming Completion had taken place on 31 December 2017, as a result of Completion, (i) the total assets would decrease by approximately 9.15% from approximately HK$4,099 million to approximately HK$3,724 million; (ii) the total liabilities would remain unchanged at approximately HK$2,891 million; (iii) the net assets value attributable to the Shareholders (i.e. excluding the non-controlling interests) would decrease by approximately 31.04% from approximately HK$1,208 million to approximately HK$833 million; and (iv) the working capital (i.e. net current assets minus net current liabilities) would decrease by approximately 34.09% from approximately HK$1,100 million to approximately HK$725 million. Such decrease in working capital is due to the deployment of bank balances and cash to fund the Share Buy-back whilst the net debt to equity ratio (the "**Gearing Ratio**") for the year ended 31 December 2017 would have changed from a net cash position of approximately HK$103 million to a Gearing Ratio of approximately 32.70%. This represents an operating cashflow over interest coverage ratio of approximately 33.2 times which is at a very comfortable level given the continued strong cashflow generated by the Company. Moreover, the Company has no term loan and all of its borrowings are short term trade finance related debts. The scale of such loan are of lower risk by nature since, unlike term loan, they can be reduced in accordance with the shrinkage of business volume (if any) under a market downturn and will therefore not exert unnecessary pressure on the Company's liquidity and balance sheet. Despite the decrease in working capital and the increase in the Gearing Ratio, the Directors are of the view that the Company will still have sufficient working capital to satisfy its current borrowings and to fuel its growth whilst keeping the Gearing Ratio at an acceptable level. As the number of issued Shares would decrease from 444,843,668 to 370,143,668, the net asset value attributable to the Shareholders per Share would decrease by approximately 17.28% from approximately HK$2.72 to approximately HK$2.25.

It is expected that, on a pro forma basis, the Share Buy-back will not have financial impact on the results of the Group and the net profit attributable to the Shareholders for the year ended 31 December 2017 would remain unchanged at approximately HK$332 million. On a per Share basis, as the number of issued Shares would decrease from 444,843,668 to 370,143,668, the earnings per Share would be enhanced by approximately 20.18% from approximately HK$0.75 to approximately HK$0.90.

Based on the above and having considered the funding of the Share Buy-back, the Company considers that there are no material adverse effect on the Group's earnings per Share, net assets per Share, liabilities and working capital.

INFORMATION ON THE COMPANY

The Group is principally engaged in design, manufacturing and trading of personal computer related products and components, such as video graphics cards for desktop personal computers and mini-PC with its operation based in the PRC.

For the two years ended 31 December 2016 and 31 December 2017, the audited consolidated profits of the Company before taxation and minority interests were approximately HK$158 million and HK$359 million respectively. For the same periods, profits attributable to the shareholders of the Company after taxation and minority interests were approximately HK$150 million and HK$332 million respectively.

INFORMATION ON THE VENDORS

Each of the Vendors is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. The entire issued share capital of each of the Vendors is beneficially owned by Mrs. Ho, who is a non-executive Director.

INTENTION OF THE VENDORS CONCERT GROUP REGARDING THE GROUP

It is the intention of the Vendors Concert Group to continue the existing business and the employment of the employees of the Group following completion of the Share Buy-back. The Vendors Concert Group has also no intention to introduce any major changes to the business of the Group, including any redeployment of the fixed assets of the Group.

INTENTION OF THE COMPANY REGARDING PUBLIC FLOAT

It is the intention of the Company to continue to maintain the public float requirements of Rule 8.08 of the Listing Rules regarding the Shares following completion of the Share Buy-back.

REGULATORY REQUIREMENTS

Share Buy-backs Code

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval for the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As the approval of the Executive for the Share Buy-back is a condition under the Share Buy-back Agreement, the Company will not proceed to Completion unless the Executive has approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions under the Share Buy-back Agreement will be fulfilled.

Takeovers Code

According to Rule 32 of the Takeovers Code, if a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights. As at the Latest Practicable Date, the Vendors Concert Group was interested in 262,083,603 Shares, representing approximately 58.74% of the issued share capital of the Company. Save as aforesaid and save for the Outstanding Share Options, the Vendors Concert Group is not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholding of the Vendors Concert Group and the issued share capital of the Company from the Latest Practicable Date up to Completion, immediately upon Completion, the percentage shareholding of the Vendors Concert Group will be reduced to approximately 50.44% of the reduced issued share capital of the Company upon Completion as a result of the Share Buy-back. Given that the Vendors Concert Group presently holds more than 50% of the voting rights of the Company, no obligation on the part of the Vendors Concert Group to make a general offer for all the Shares not already owned or agreed to be acquired by the Vendors Concert Group will arise as a result of the Share Buy-back.

Listing Rules

Since each of the Vendors is (a) a substantial shareholder of the Company and (b) a company whose entire issued share capital is beneficially owned by Mrs. Ho, who is a non-executive Director, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

EGM

The register of members of the Company will be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held to consider and, if thought fit, pass the resolution to approve, among other things, the Share Buy-back Agreement. Only the Disinterested Shareholders will be entitled to vote on the resolution to approve the Share Buy-back Agreement at the EGM.

As at the Latest Practicable Date, the Vendors Concert Group was interested in an aggregate of 262,083,603 Shares, representing approximately 58.74% of the issued share capital of the Company. As required under the Share Buy-backs Code and the Listing Rules, the Vendors Concert Group will abstain from voting at the EGM. Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution approving the Share Buy-back Agreement and the transactions contemplated thereunder.

The form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish and in such event, the form appointing a proxy shall be deemed to be revoked.

GENERAL

The Independent Board Committee, comprising all the non-executive Directors (other than Mrs. Ho who is materially interested in the Share Buy-back Agreement) namely being Mr. Ip Shing Hing, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung, has been established to advise and give recommendation to the Disinterested Shareholders on the Share Buy-back Agreement and the Share Buy-back. The Independent Financial Adviser has been appointed to advise the Independent Board Committee thereon.

RECOMMENDATION

On the basis of the information set out in this circular, the executive Directors consider that the Share Buy-back is in the interests of the Company and the Shareholders as a whole. Therefore, the executive Directors recommend the Disinterested Shareholders to vote in favour of the resolution as set out in the notice of the EGM. Mrs. Ho, who is a non-executive Director having a material interest in the Share Buy-back, abstained from voting on the Directors' resolutions regarding the Share Buy-back Agreement.

Shareholders are advised to read carefully the "Letter from the Independent Board Committee" regarding the Share Buy-back Agreement set out on pages 16 to 17 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser (the text of which is set out on pages 18 to 38 of this circular), considers that the terms of the Share Buy-back Agreement are fair and reasonable insofar as the Disinterested Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Disinterested Shareholders to vote in favour of the resolution to approve the Share Buy-back Agreement at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By the order of the Board
PC Partner Group Limited
WONG Shik Ho Tony
Chairman

The following is the text of the letter form the Independent Board Committee setting out its recommendations to the Disinterested Shareholders in relation to the Share Buy-back Agreement.

PC PARTNER GROUP LIMITED
栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

23 May 2018

To the Disinterested Shareholders

Dear Sir or Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACK AND (2) CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 23 May 2018 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the Share Buy-back Agreement and the transactions contemplated thereunder are fair and reasonable as far as the Disinterested Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Odysseus Capital Asia Limited has been appointed as the Independent Financial Adviser to advise us in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 18 to 38 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 15 of the Circular and the additional information set out in the appendices to the Circular.

* *For identification purpose only*

Having taken into account the advice of the Independent Financial Adviser, we consider that the Share Buy-back Agreement are fair and reasonable as far as the Disinterested Shareholders are concerned and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Disinterested Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Share Buy-back Agreement and the Share Buy-back.

Yours faithfully,
For and on behalf of the Independent Board Committee
Mr. IP Shing Hing Mr. LAI Kin Jerome Mr. CHEUNG Ying Sheung
Independent non-executive Directors

The following is the full text of the letter of advice from Odysseus Capital Asia Limited, independent financial adviser to the Independent Board Committee and the Disinterested Shareholders, which has been prepared for incorporation in this circular, setting out its advice to the Independent Board Committee and the Disinterested Shareholders in respect of the Share Buy-back Agreement and the transaction contemplated thereunder.

ODYSSEUS
CAPITAL ASIA LIMITED
奧漸資本亞洲有限公司

23 May 2018

The Independent Board Committee and the Disinterested Shareholders of PC Partner Group Limited

Dear Sir/Madam,

(1) PROPOSED OFF-MARKET SHARE BUY-BACK AND (2) CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Disinterested Shareholders in relation to the Share Buy-back Agreement and the transaction contemplated thereunder. Details of the Share Buy-back are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of PC Partner Group Limited (the "**Company**") dated 23 May 2018 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular are to have the same meanings throughout this letter.

On 23 April 2018, the Company entered into the Share Buy-back Agreement with the Vendors pursuant to which the Company agreed to acquire, and the Vendors agreed to dispose of 74,700,000 Shares at the total consideration of HK$373.50 million, equivalent to HK$5.00 per Buy-back Share.

Since each of the Vendors is (a) a substantial shareholder of the Company and (b) a company whose entire issued share capital is beneficially owned by Mrs. Ho, who is a non-executive Director, the Share Buy-back contemplated under the Share Buy-back Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is therefore subject to the approval by the Disinterested Shareholders at the EGM.

The Share Buy-back constitutes an off-market share buy-back by the Company under the Share Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, among other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Disinterested Shareholders present in person or by proxy at a meeting to be held for such purposes.

As the approval of the Executive for the Share Buy-back is a condition under the Share Buy-back Agreement, the Company will not proceed to Completion unless the Executive has approved the Share Buy-back pursuant to Rule 2 of the Share Buy-backs Code. However, there is no assurance that such approval will be granted or that all the conditions under the Share Buy-back Agreement will be fulfilled.

According to Rule 32 of the Takeovers Code, if a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Share Buy-back, such increase will be treated as an acquisition of voting rights. As at the Latest Practicable Date, the Vendors Concert Group is interested in 262,083,603 Shares, representing approximately 58.74% of the issued share capital of the Company. Save as the aforesaid and save for the Outstanding Share Options, the Vendors Concert Group is not interested in any existing holding of voting rights or rights over the Shares. Assuming there are no changes to the shareholdings of the Vendors Concert Group and the issued share capital of the Company from the Latest Practicable Date to Completion, upon Completion and cancellation of the Buy-back Shares, the percentage shareholding of the Vendors Concert Group will be decreased to approximately 50.44% of the reduced total number of issued Shares of the Company as a result of the Share Buy-back. Given that the Vendors Concert Group presently holds more than 50% of the voting rights of the Company, no obligation on the part of the Vendors Concert Group to make a general offer for all the Shares not already owned or agreed to be acquired by the Vendors Concert Group will arise as a result of the Share Buy-back.

As at the Latest Practicable Date, the Vendors Concert Group together holds 262,083,603 Shares, representing approximately 58.74% of the issued share capital of the Company. Since the Vendors are materially interested in the Share Buy-back Agreement, the Vendors Concert Group will abstain from voting at the EGM as required under the Share Buy-backs Code, the Takeovers Code and the Listing Rules. Save as aforesaid, no other Shareholder is required to abstain from voting on the resolution(s) approving the Share Buy-back Agreement and the transaction contemplated thereunder.

The Independent Board Committee, comprising all of the non-executive Directors (other than Mrs. Ho who is materially interested in the Share Buy-back) being Mr. Ip Shing Hing, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung, has been established to advise and give recommendation to the Disinterested Shareholders on the Share Buy-back Agreement. None of the members of the Independent Board Committee has any interest or involvement in the transaction contemplated under the Share Buy-back Agreement.

We have been appointed by the Company to advise the Independent Board Committee and the Disinterested Shareholders as to whether the terms of the Share Buy-back Agreement are fair and reasonable, the Share Buy-back is on normal commercial terms and the Share Buy-back, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole; and to give independent advice to the Independent Board Committee and Disinterested Shareholders as to whether the Disinterested Shareholders should vote in favour of the Share Buy-back Agreement. As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OUR OPINION

In formulating our opinion, we have considered, among other things, (i) the Circular; (ii) the Share Buy-back Agreement; (iii) the annual reports of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**"), the interim report of the Company for the six months ended 30 June 2017 (the "**2017 Interim Report**") and the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"); (iv) the unaudited pro forma financial information of the Group set out in Appendix II to the Circular (the "**Pro Forma Statement**"); and (v) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information and representations supplied, and the opinions expressed, by the Directors and the management of the Company. We have assumed that all such information and representations contained or referred to in the Circular were true and accurate in all material respects as at the date thereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have also confirmed that, having made all reasonable enquiries and to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company, and they have confirmed that no material information has been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or prospects of each of the Company, the Vendors and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

The Share Buy-Back

I. Background to and reasons for entering into of the Share Buy-back Agreement

(a) Information on the Company

The Group is engaged in the business of design, manufacturing and trading of video graphic cards for desktop PCs, electronics manufacturing services ("**EMS**") with its operation based in the Mainland China and manufacturing and trading in other PC related products and components with its operation based in Hong Kong, Macau, Korea and the United States of America.

The tables below are the financial highlight of the Group for the two years ended 31 December 2017 ("**FY2016**" and "**FY2017**", respectively) as extracted from the 2017 Annual Report, and for the six months ended 30 June 2016 and 2017 ("**HY2016**" and "**HY2017**", respectively) as extracted from the 2017 Interim Report and the 2016 Interim Report:

	For the year Ended 31 December		**For the six months ended 30 June**	
	2016	**2017**	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	**(audited)**	**(unaudited)**	**(unaudited)**
Revenue	5,837,964	8,555,368	2,498,498	2,971,767
Gross profit	590,747	915,971	232,328	245,868
Gross profit margin	10.1%	10.7%	9.3%	8.3%
Profit for the year/ period	150,062	332,073	36,453	43,665
Profit margin	2.6%	3.9%	1.5%	1.5%

	As at 31 December		**As at 30 June**	
	2016	**2017**	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited)	**(audited)**	**(unaudited)**	**(unaudited)**
Cash and cash equivalents	790,289	1,453,815	739,527	979,738
Total assets	2,904,408	4,098,979	2,130,668	3,257,521
Total liabilities	1,971,214	2,890,939	1,316,225	2,331,374
Net assets/Total equity	933,194	1,208,040	814,443	926,147

Source: The Company's 2016 interim report, 2017 interim report and 2017 annual report

Revenue

We note from the table above that the total revenue of Group increased by approximately HK$2,717.4 million, or 46.5%, from approximately HK$5,838 million for FY2016 to approximately HK$8,555.4 million for FY2017. It was mainly due to an increase in revenue of both video graphics cards segment and other PC related products and components segment, which offset the decline of EMS business segment. Moreover, the revenue of the Group increased by approximately HK$473.3 million, or 18.9%, from approximately HK$2,498.5 million for HY2016 to approximately HK$2,971.8 million for HY2017. The increase was mainly contributed by the relationships with Nvidia Corporation and AMD, which are the two globally dominant graphic processing unit suppliers, that enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remained the core business of the Group for the year under review.

Revenue from the video graphics cards business has been increased by approximately HK$2,663 million, or 59.2%, from approximately HK$4,502.1 million for FY2016 to approximately HK$7,165.1 million for FY2017. It was attributable to the robust growth of revenue of both own brand video graphics cards and video graphics cards. Moreover, revenue from own brands video graphics cards segment increased by HK$1,498.1 million, or 47.3%, from HK$3,168.4 million for FY2016 to HK$4,666.5 million in FY2017. It was mainly due to a strong demand of video graphics cards from the channel markets and the growing popularity of eSports which has driven a higher demand on gaming hardware including video graphics cards.

Gross Profit and Margin

The gross profit of the Group for FY2017 was HK$916.0 million, representing an increase of HK$325.3 million, or 55.1%, compared with HK$590.7 million for FY2016. Gross profit margin increased by 0.6 percentage point to 10.7% as compared with 10.1% for FY2016. The gross profit of the Group for HY2017 was HK$245.9 million, representing an increase of HK$13.6 million, or 5.8%, compared with HK$232.3 million for FY2016. Gross profit margin increased by 1 percentage point to 9.3% as compared with 8.3% for FY2016. It was mainly due to a higher gross profit margin being achieved on price increase on branded video graphics cards and a better gross profit margin by selling video graphics cards to new customers.

Profit for the Year

The Group recorded a profit for the year attributable to owners of the Company of HK$332.1 million for FY2017 as compared with a profit of HK$150.1 million for FY2016, representing a year on year growth rate of 121.3%. It was mainly attributable to a significant increase in gross profit being contributed by sales increase and with a lower percentage on operating expenses to revenue for FY 2017. The profit to revenue ratio increased from 2.6% for FY 2016 to 3.9% for FY2017.

Financial Position

The Group's cash and bank balances increased from HK$790.3 million as at 31 December 2016 to HK$1,453.8 million as at 31 December 2017, representing a year on year growth rate of 84.0%. Based on the borrowings of HK$1,351 million as at 31 December 2017 and HK$987.6 million as at 31 December 2016, and total equity of HK$1,208 million as at 31 December 2017 and HK$933.2 million as at 31 December 2016, the Group's net debts to equity ratio (being debts minus cash and bank balances divided by total equity) turned from a net debts to equity position at 21.1% as at 31 December 2016 to a net cash position as at 31 December 2017. The change was mainly due to an increase in cash and bank balances arising from advance payment and faster collection from customers as at 31 December 2017.

The Group has total assets of HK$4,099 million as at 31 December 2017 and HK$2,904.4 million as at 31 December 2016. The Group's total liabilities amounted to HK$2,890.9 million as at 31 December 2017 and HK$1,971.2 million as at 31 December 2016.

The Group's total net asset value increased by HK$274.8 million, or 29.4%, to HK$1,208 million as at 31 December 2017 from HK$933.2 million as at 31 December 2016.

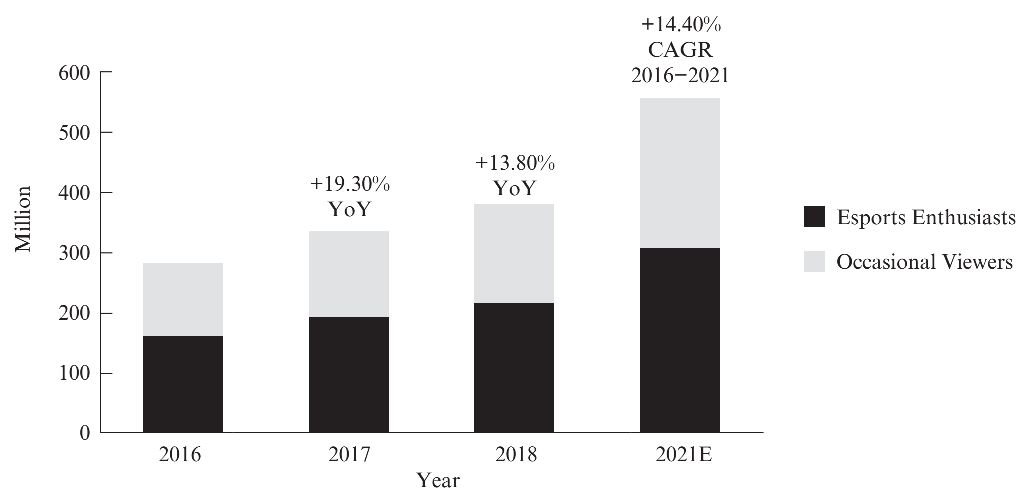
Future Prospects

We concur with the Director's view that computer gaming is one of the largest entertainment industries in the world. The growing popularity of eSports, new computer games, and advance of new technologies such as virtual reality and mixed reality would probably lead to a continued growth in the demand for gaming hardware. According to the 2017 Annual Report, the Company intended to invest on their branding business, especially on ZOTAC, with more new gaming products and to participate in more eSports events across different regions and countries in order to promote the brand. The

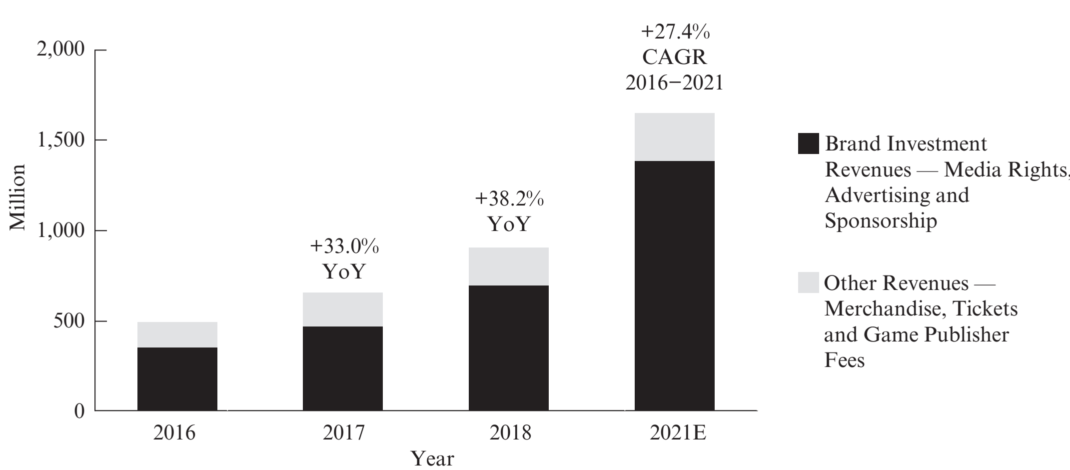
Company would also further develop the ZOTAC CUP, an emerging on-line gaming competition platform so as to increase the market recognition of ZOTAC brand.

According to the research report published by Newzoo, a leading provider of market intelligence covering the eSports industry, that the number of eSports audience worldwide is expected to increase from 281 million in 2016 to 557 million in 2021, representing a CAGR of 14.40%. Moreover, the global eSports revenue is expected to increase from US$493 million in 2016 to US$1,650 million in 2021, which represents a CAGR of 27.40%. Looking forward, in view of the continued expansion of the eSports industry, the Company is well positioned to capitalize on such growth potential.

eSports Audience Growth



eSports Revenue Growth



Source: Newzoo — 2018 Global eSports Market Report

On the other hand, the original equipment manufacturing business ("**OEM**)" has also achieved a substantial growth in 2017, which was mainly contributed by a strong demand on video graphics cards from blockchain application and platform. The Directors expect that orders on blockchain application and platform are very likely to continue to represent a certain portion of the Company's revenue on top of the revenue from the existing OEM business in future.

Based on the foregoing, we concur with the Director's view that the Company should be able to capitalize on the growth of the online gaming industry and the blockchain technologies and applications as illustrated above. The pursuit of the high-end players and live webcaster in hardware also becomes an unchangeable and indispensable need which has already led to a tremendous growth in the Company's profitability for FY2017. Moreover, along with the long-term relationships with hardware giants in the industry, namely Nvidia Corporation and AMD, the Company has a great potential in expanding its current position in business and benefiting all the shareholders as a whole. With the continued growth of the above businesses and a strong pipeline of sales orders from customers, the Directors are of the view that the future prospect of the Company is promising.

(b) Information on the Vendors

Each of the Vendors is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. The entire issued share capital of each of the Vendors is beneficially owned by Mrs. Ho, who is a non-executive Director.

At the time of initial public offering of the Company ("**IPO**)" in January 2012, Mrs. Ho, the widow of one of the co-founders of the Group, the late Mr. Ho Hin Wun Bosco, indirectly and ultimately beneficially owned 132,350,000 Shares, representing approximately 31.70% of the then issued share capital of the Company, through Classic Venture (as to 54,850,000 Shares, representing approximately 13.14% of the then issued share capital of the Company) and Perfect Choice (as to 77,500,000 Shares, representing approximately 18.56% of the then issued share capital of the Company). As at the date of the Share Buy-back Agreement, Mrs. Ho indirectly and ultimately beneficially owned 129,550,000 Shares, representing approximately 29.03% of the then issued share capital of the Company, through Classic Venture (as to 54,850,000 Shares, representing approximately 12.29% of the then issued share capital of the Company) and Perfect Choice (as to 74,700,000 Shares, representing approximately 16.74% of the then issued share capital of the Company).

The following table sets out the shareholdings by the Vendors as at the date of IPO, as at the Latest Practicable Date and immediately upon Completion:

Vendor	**Upon IPO**		**Latest Practicable Date**		**Upon Completion**	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Perfect Choice [1]	77,500,000	18.56	74,700,000	16.74	54,850,000	14.76
Classic Venture [1]	54,850,000	13.14	54,850,000	12.29	—	—

Note 1: Both of the Vendors are wholly owned by Mrs. Ho

As shown in the above table, Mrs. Ho, who has no executive role in the day-to-day operation of the Company, has gradually been offloading her shareholding since the IPO. According to the Directors, she has contemplated realising her interests in the Shares held through Perfect Choice by on-market disposal or through private placing over a period of time. In view of the thin average trading volume of the Shares, Mrs. Ho considers that it is not in the interests of the Shareholders as a whole if she were to dispose a large amount of Shares through on-market disposal as this would create a huge market-overhang in the market for the stock which would exert a downward pressure on the share prices over a considerable period of time. Mrs. Ho has also come to the view that a private placing is not an ideal option either, as the third parties acquiring the Shares might not have a good understanding of the Group's business whilst, their visions and objectives with respect to the future development of the Group might not align with those of the present management of the Company. Having considered the above, we concur with Mrs. Ho's belief that the Share Buy-back is an appropriate means of realising her interest in the Shares as it would, which significantly reduces the potential negative impacts that on-market sale and private placing may have on the Company and the Shareholders. On the other hand, we believe that the Share Buy-back is a good opportunity for the Company to remove this potential market overhang enabling the Shares to perform in tandem with the Company's growing profitability without being affected by any undesirable market disruption.

(c) Reasons for and benefits of the Share Buy-back

As stated in the Letter from the Board, in considering to proceed with the Share Buy-back, the Company has taken into consideration the factors below:

i. Opportunity to buy-back a significant block of Shares

As stated in the Letter from the Board, the Directors considered that the Share Buy-back is a good opportunity for the Company to buy back a significant block of Shares without affecting the normal trading of the Shares in terms of price and volume. As mentioned above, the Company is expecting to leverage on its existing market position to capitalize on the growth of the online gaming industry and blockchain technologies development in the coming years. Coupled with its undemanding valuation based on price earnings ratio as set out in the section "Analysis of the Share Buy-back Price" below, we believe that it is a good opportunity for the Company to conduct the Share Buy-back to purchase a meaningful block of Shares at a reasonable valuation.

ii. To buy-back Shares without affecting the normal trading of the Shares

As referred to the section under "Analysis of the Share Buy-back Price" below, assuming the Company were to acquire the similar number of Buy-back Shares using the average daily trading volume as a reference, it would basically require approximately 19.39 trading days to complete the purchase on-market. In view of the relatively thin average trading volume of the Shares, we concur with the Directors' view that the Share Buy-back would allow the Company to buy-back Shares without significantly affecting the normal trading of the Shares in terms of price and volume, and is therefore less disruptive to the market compared to on-market transactions.

iii. To enhance earnings per Share and dividend yield ratio

	Before the Share Buy-back	**Upon Completion**	**Percentage of Increase**
Basic Earnings per Share	HK$0.75	HK$0.90	20%

As illustrated in the above table, on a pro forma basis, assuming that the Share Buy-back had taken place on 31 December 2017, the earnings per Share for the year ended 31 December 2017 would have increased from approximately HK$0.75 to approximately HK$0.90. The Share Buy-back would have resulted in approximately 20% enhancement in basic earnings per Share.

Assuming that the Share Buy-back had taken place on 31 December 2017, the dividend yield ratio would have increased from approximately 6.31% to 7.59% by applying the closing share price as at the date of the Share Buy-back Agreement.

With the enhancement of earnings per Share and dividend yield ratio, the Share Buy-back would create greater shareholder value which is in the interests of all Shareholders.

Therefore, after considering that the Share Buy-back (i) provides an opportunity to utilize the Company's cash reserves to buy a significant block of Shares which have strong potential growth prospects; (ii) allows to the Company to capture such opportunity without creating much market volatility and disruption; and (iii) creates shareholder value by enhancing earnings per Share and dividend yield ratio whilst increasing the Disinterested Shareholders' proportionate shareholdings in the Company as described in the Section under "Effects on the Shareholding Structure of the Company", we concur with the Company that, although the Share Buy-back is not in the ordinary and usual course of business of the Group, the Share Buy-back is fair and reasonable and, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole.

II. Principal terms of the Share Buy-back Agreement

On 23 April 2018, the Company entered into the Share Buy-back Agreement with Perfect Choice Limited and Classic Venture as vendors pursuant to which the Company agreed to acquire and the Vendors agreed to dispose of 74,700,000 Shares at the total consideration of HK$373.50 million, equivalent to HK$5.00 per Buy-back Share. The principal terms of the Share Buy-back Agreement have been set out in the Letter from the Board and Completion will be conditional upon the satisfaction of, amongst others, the following conditions:

(a) the Executive having granted and not having withdrawn the approval of the Share Buy-back under Rule 2 of the Share Buy-backs Code;

(b) the passing of the resolution(s) voted on by poll by at least three-fourths of the Disinterested Shareholders present at the EGM approving the Share Buy-back;

(c) the Company having sufficient reserves to effect the Share Buy-back in compliance with the relevant law; and

(d) all consents or approvals of any relevant government authorities or other relevant regulatory bodies in Hong Kong, the Cayman Islands or elsewhere which are required by the Vendors or the Company for entering into, and implementing the transaction contemplated under, the Share Buy-back Agreement having been obtained and not having been withdrawn or revoked.

None of the conditions above is capable of being waived by the Vendors or the Company. If the above conditions are not fulfilled on or before 31 July 2018 (or such other date as the Vendors and the Company may from time to time agree in writing), the Share Buy-back Agreement shall cease and terminate, and none of the parties shall have any further obligations and liabilities hereunder and none of the parties shall take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches. As at the Latest Practicable Date, none of the conditions above had been fulfilled and no such consents or approvals as mentioned in sub-paragraph (d) above had been identified.

The total consideration for the Share Buy-back of HK$373.50 million is payable in cash. The total Share Buy-back Price will be paid by the Company to the Vendors as to 50% (HK$186.75 million) at Completion and 50% (HK$186.75 million) on 4 December 2018 (or such other later date as the Vendors and the Company may otherwise agree). We believe that the deferred payment arrangement is fair and reasonable and is in the interests of the Company and the Shareholders as a whole as it would reduce the immediate cash outflow of the Company whilst allowing the Company to preserve cash for other possible opportunities.

III. Analysis of the Buy-back Price

As stated in the Letter from the Board, the Buy-back Price of HK$5.00 per Buy-back Share was determined following arm's length commercial negotiations between the Company and the Vendors, taking into account the movements in the price of the Shares over a period of time, in particular the period commencing 30 trading days prior to 29 March 2018, being the date when the discussion of the Share Buy-back between the Company and the Vendor began to take place (the "**Share Buy-back Negotiation Date**") and prevailing market conditions.

The Buy-back Price represents:

(a) a discount of approximately 17.53% to the average closing price of approximately HK$6.06 per Share based on the daily closing prices of the Shares quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Share Buy-back Negotiation Date;

(b) a discount of approximately 1.40% to the closing price of HK$5.07 per Share as quoted on the Stock Exchange on the date of the Share Buy-back Agreement;

(c) a discount of approximately 2.15% to the average closing price of approximately HK$5.11 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(d) a discount of approximately 3.47% to the average closing price of approximately HK$5.18 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(e) a discount of approximately 7.06% to the average closing price of approximately HK$5.38 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

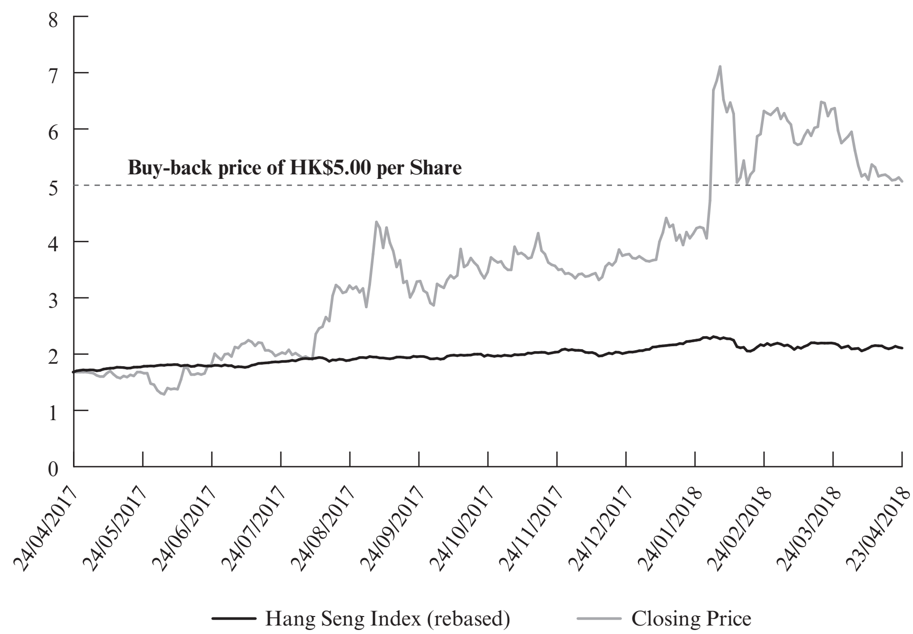
(f) a discount of approximately 11.35% to the average closing price of approximately HK$5.64 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the date of the Share Buy-back Agreement;

(g) a discount of approximately 19.87% to the closing price of HK$6.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(h) a premium of approximately 83.82% over the audited net asset value per Share attributable to Shareholders as at 31 December 2017 of approximately HK$2.72 per Share.

Disinterested Shareholders should note that the comparison of the Buy-back Price against the net asset value was included as a reference only as most of these IT-related manufacturing and trading companies are valued based on future profitability rather than net asset value and that the Buy-back Price was agreed with reference to historical market price after arm's length negotiation between the parties to the Share Buy-back Agreement. Hence, it is more relevant to compare the Buy-back Price with the historical price performance of the Shares.

We set out below a chart showing the movement of the daily closing price of the Shares as quoted on Stock Exchange and the Hang Seng Index for the 12 months prior to the date of the Share Buy-back Agreement (the "**Review Period**").



Source: the Stock Exchange

As shown in the above chart, the Share has outperformed the Hang Seng Index during the Review Period, mainly due to the spectacular growth in profitability of the Company compared to the relatively moderate earnings growth of the Hang Seng Index constituents. The Share Buy-back price represents a significant discount of 32.61% to the highest trading price of HK$7.42 recorded on 30 January 2018 after the Company's announcement of profit alert on 24 January 2018.

In evaluating the Share Buy-back Price, we have also made reference to the audited historical price earnings ratios ("**PER**") and price to net asset value ("**P/B**") of other comparable listed companies which principally engage in the manufacture and sale of electronic products and/or components that which were trading on the Stock Exchange with a market capitalization below HK$3 billion as at the date of the Announcement.

Stock Code	Company Name	Principal Activities	Market Capitalization *(HK$ million)*	Closing Share Price as at 23 April 2018	P/B	PER
929	IPE Group Limited	Manufacture and sales of precision metal components for hard disk drives	1,536	1.46	0.90	13.38
1523	Plover Bay Technologies Limited	Sales of Software Defined WAN routers	1,645	1.62	7.33	23.84
3336	Ju Teng International Holdings Limited	Manufacture and sales of casings for notebook computer	1,859	1.62	0.22	23.14
2028	Jolimark Holdings Limited	Manufacture and sales of electronic products	716	1.10	1.73	43.65
334	China Display Optoelectronics Technology Holding Limited	Manufacture and sales of liquid crystal display for notebook computer	1,503	0.72	2.04	10.43
1050	Karrie International Holdings Limited	Manufacture and sales of electronic products, eg. magnetic tape data storage and point-of-sale system	2,294	1.15	2.13	13.69
529	SiS International Holdings Limited	Distribution of mobile and IT products	1,459	5.25	0.41	3.97
99	Wong's International Holdings Limited	Provision of electronic manufacturing services	1,402	2.93	0.40	2.93
176	Superactive Group Co. Limited	Manufacture of electronic and industrial products-related businesses	762	0.38	0.82	7.91
8159	Glory Mark Hi-tech (Holdings) Limited	Manufacture and sales of connectivity products for computers	288	0.45	2.71	16.92
8319	Expert Systems Holdings Limited	Provision of information technology infrastructure solutions	113	0.14	1.46	16.14
903	TPV Technology Limited	Manufacture and sales of computer monitors and televisions	2,299	0.98	0.19	–5.81
8051	CircuTech International Holdings Limited	Manufacture and sales of video surveillance systems	199	8.50	1.34	–12.69
465	Futong Technology Development Holdings Limited	Provision of corporate IT products, services including IBM's hardware	299	0.96	0.46	–6.15
	Highest (i)				7.33	43.65
	Lowest (i)				0.22	2.93
	Average (i)				1.83	16.00
1263	**The Company (Share Buy-back Price)**	Manufacturing and sales of electronic products, eg video graphics cards for desktop PCs	2,231	5.00	1.85	6.58

Source: annual reports of the above companies

Notes: (i) we have discarded the companies with negative earnings per share as their PERs are irrelevant for our analysis.

As shown above, the PER of the comparable listed companies ranges from 2.93 to 43.65 times with an average of 16.00 times whilst the PER of the Share Buy-back Price represents a discount of 58.88% to such average PER. As mentioned above, despite the fact that the analysis on P/B is included for reference only, the P/B of the Share Buy-back Price is within the range of the P/B of the comparable listed companies and represents a premium of 0.81% over the average P/B.

As the Buy-back Price of HK$5.00 per Share represents (i) a significant discount of 32.61% to the highest trading price which was recorded after the profit alert announcement in January 2018 and a reasonable discount to the average closing price for the 30 trading days prior to the date of the Share Buy-back Agreement; and (ii) a discount of 58.88% to the average PER of listed comparables, we concur with the Company that the Buy-back Price is fair and reasonable and in the interests of the Shareholders as a whole.

IV. Trading volume of the Shares

The following chart illustrates the daily trading volume of the Shares on the Stock Exchange and the closing prices of the Shares during the Review Period:

Source: the Stock Exchange

The average daily trading volume of the Shares on the Stock Exchange during the Review Period was approximately 3,853,139 Shares, representing approximately 0.86% and 2.09% of the Company's total existing issued share capital and public float. The highest daily trading volume during the Review Period was about 57,688,000 Shares on 26 January 2018, representing approximately 12.93% and 31.33% of the Company's total existing issued share capital and public float. Assuming the Company were to acquire the similar number of Buy-back Shares using the average daily trading volume as a reference, it would basically require approximately 19.39 trading days to complete the purchase on-market which would possibly alleviate the resultant average Share Buy-back price. On the other hand, if Mrs. Ho were to dispose of the same amount of Share Buy-back Shares in the market, it would certainly create disturbance and exert a downward pressure to price of the Shares given the low liquidity of the Shares. As a result, we concur with the Company that the Share Buy-back is an opportunity to acquire a significant block of Shares at Buy-back Price without effecting the normal trading activities of the Shares in terms of both price and volume.

V. Effects on shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion (assuming there are no changes in the shareholding of the Vendors Concert Group and the issued share capital of the Company from the Latest Practicable Date up to Completion):

Shareholder	**As at the Latest Practicable Date**		**Immediately upon Completion**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Perfect Choice *(Note 1)*	74,700,000	16.74	54,850,000	14.76
Classic Venture *(Note 1)*	54,850,000	12.29	—	—
Mr. Wong Shik Ho Tony *(Note 2)*	54,405,750	12.20	54,405,750	14.65
Mr. Wong Fong Pak *(Note 2)*	28,265,750	6.33	28,265,750	7.61
Mr. Leung Wah Kan *(Note 2)*	23,500,500	5.27	23,500,500	6.33
Mr. Ho Nai Nap *(Note 2)*	20,784,538	4.66	20,784,538	5.59
Mr. Man Wai Hung *(Note 2)*	5,577,065	1.25	5,577,065	1.50
Sub-total of the Vendors Concert Group	262,083,603	58.74	187,383,603	50.44
Public Shareholders	184,110,065	41.26	184,110,065	49.56
Total	446,193,668	100.00	371,493,668	100.00

Notes:

1. The entire issued share capital of each of Perfect Choice and Classic Venture is beneficially owned by Mrs. Ho Wong Mary Mee-Tak, who is a non-executive Director.

2. Each of Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Ho Nai Nap and Mr. Man Wai Hung is an executive Director.

Assuming there are no changes to the shareholdings of the public shareholders and the total number of issued Shares of the Company from the Latest Practicable Date to the date of Completion, upon Completion and cancellation of the Buy-back Shares, the interest of the public Shareholders in the Company's total number of issued Shares will increase from approximately 41.26% to approximately 49.56%. As such, if the Disinterested Shareholders approve the Share Buy-back and retain shareholdings in the Company, they will benefit from the increase in their proportionate shareholding in the Company by approximately 8.3 percentage points after Completion.

VI. Effect of the Share Buy-back

(a) Earnings per Share

As stated in the Pro Forma Statement, assuming that Completion had taken place on 31 December 2017 and the Buy-back Shares have been bought back in full and cancelled, the basic earnings per Share for the year ended 31 December 2017 would, as a result, have increased by approximately 20.00% from approximately HK$0.75 per Share to approximately HK$0.90 per Share. We concur with the Directors' view that the Share Buy-back can improve the basic earnings per Share upon Completion.

(b) Dividend yield ratio

As stated in the Pro Forma Statement, assuming that Completion had taken place on 31 December 2017 and the Buy-back Shares have been bought back in full and cancelled, the dividend yield ratio for the year ended 31 December 2017 would, as a result, have increased by approximately 20.18% from approximately 6.31% to approximately 7.59% by applying the closing price as at the date of the Share Buy-back Agreement. We concur with the Directors' view that the Share Buy-back can improve the dividend yield ratio upon Completion.

(c) Net Assets per Share

As stated in the Pro Forma Statement, assuming that Completion had taken place on 31 December 2017 and the Buy-back Shares have been bought back in full and cancelled, the net assets per Share as at 31 December 2017 would, as a result, have decreased by approximately 17.14% from HK$2.72 per Share to approximately HK$2.25 per Share.

Despite the decrease in net assets per Share upon Completion, we concur with the Directors that the dilution effect on net assets per Share is acceptable since, as discussed in "III. Analysis of the Buy-back Price" above, we consider net assets per Share as only a secondary valuation methodology.

(d) Total liabilities

As stated in the Letter from the Board, the Share Buy-back will be paid from retained profits and hence the total liabilities as at 31 December 2017 would remain unchanged at approximately HK$2,891 million.

(e) Working Capital and Gearing Ratio

As stated in the Letter from the Board, the working capital (i.e. net current assets minus net current liabilities) of the Company would decrease by approximately 34.09% from approximately HK$1,100 million to approximately HK$725 million due to the deployment of bank balances and cash to fund the Share Buy-back whilst the net debt to equity ratio ("**Gearing Ratio**") for the year ended 31 December 2017 would have changed from a net cash position of approximately HK$103 million to a Gearing Ratio of 32.70%. This represents an operating cashflow over interest coverage ratio of approximately 33.2 times which is at a very comfortable level given the continued strong cashflow generated by the Company. It is also worth noting that the Company has no term loans and all its bank borrowings are short term trade finance related debts. The scale of such loan requirement is normally tied to the volume of business generated and hence these loans are of lower risk by nature since, unlike term loans, they can be reduced in accordance with the shrinkage of business volume (if any) under a market downturn and will therefore not exert unnecessary pressure on the Company's liquidity and balance sheet.

Despite the decrease in working capital and the increase in Gearing Ratio, we concur with the Directors' view that the Company will still have sufficient working capital to fuel its growth whilst keeping the Gearing Ratio at an acceptable level. The Share Buy-back actually allows the Company to leverage up its balance sheet and to maximize its capital structure in order to enhance the Company's return on equity.

Based on the above and having considered the funding of the Share Buy-back by way of retained profits, we concur with the Company's view that there are no material adverse effect on the Group's earnings per Share, liabilities and working capital.

However, Disinterested Shareholders should note that the above analyses based on the unaudited pro forma financial information of the Group set out in appendix II of the Circular are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

VII. Other Consideration

Funding

The Company will fund the Share Buy-back from the Company's retained profits. Under the Companies Law, any buy-back of Shares by the Company may only be funded out of the Company's profits, a fresh issue of Shares made for the purpose, the Company's share premium account, or if so authorised by its articles of association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be bought-back must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. As at 31 December 2017 the Group had cash and bank balances of approximately HK$1,453,815,000. The Company has sufficient surplus funds not currently required in its normal operations, which will be paid out of its retained profits, to effect the Share Buy-back. Based on (i) the substantial bank balances and cash available to the Company; (ii) the financial effects of the Share Buy-back as set out in the analysis above; and (iii) the deferred payment arrangement for settling the Consideration, we consider that it is acceptable for the Company to deploy surplus bank balances and cash to finance the Share Buy-back.

RECOMMENDATION

Notwithstanding the net assets per Share and the cash balances of the Company will decrease upon Completion, we have considered the above principal factors and reasons, in particular, the following:

i. it is a good opportunity for the Company

(a) to acquire a significant block of Shares at the Share Buy-back Price without effecting the normal trading of the Shares in terms of both price and volume;

(b) to "invest" in the Company which has demonstrated robust growth momentum in profitability with a solid financial strength whilst being well positioned to capitalize on the tremendous growth potential in the online gaming and blockchain technologies development;

(c) to remove the market-overhang which could potentially be created by Mrs. Ho's intention to dispose of her shareholding in the market;

ii. despite the Buy-back Price of HK$5.00 only represents a discount ranging from approximately 2.15% to 7.06% to the average closing price for 5, 10 and 20 trading days prior to and including the date of the Share Buy-back Agreement, it still seems to be reasonable as it also represents

(a) a discount of approximately 17.53% to the average closing price for 30 trading days prior to and including the Share Buy-back Negotiation Date;

(b) a discount of approximately 19.87% to the closing price of HK$6.24 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(c) a discount of approximately 32.61% to the highest trading price during the Review Period;

(d) a discount of approximately 11.35% to the average closing price for 30 trading days prior to the date of the Share Buy-back;

(e) a PER of 6.58 times representing a discount of 58.88% to the average PER of the comparable listed companies;

iii. the Share Buy-back creates shareholder value by increasing the earnings per Share and dividend yield ratio;

iv. the deferred payment terms allows the Company to preserve cash for other possible opportunities whilst reducing the immediate cash outflows; and

v. the Disinterested Shareholders who wish to retain their shareholdings in the Company will benefit from the increase in their proportionate shareholding in the Company after Completion.

Based on the above, we are of the opinion that, although the Share Buy-back is not in the ordinary and usual course of business of the Group, the terms of the Share Buy-back Agreement are fair and reasonable and the Share Buy-back is on normal commercial terms and, as far as the Disinterested Shareholders are concerned, is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise (i) the Independent Board Committee to recommend the Disinterested Shareholders; and (ii) the Disinterested Shareholders to vote in favour of the resolutions approving Share Buy-back Agreement at the EGM.

Yours faithfully,
For and on behalf of
Odysseus Capital Asia Limited
Joseph Chu
Chief Executive Officer

Note: Mr. Joseph Chu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2003. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017 respectively has been set out in the annual reports of the Company for the relevant period respectively and are available on the website of the Company (www.pcpartner.com) and the website of the Stock Exchange (www.hkexnews.hk) as specifically set out below:

- the annual report of the Company for the year ended 31 December 2015 published on 22 April 2016 (pages 35 to 99);
- the annual report of the Company for the year ended 31 December 2016 published on 21 April 2017 (pages 58 to 119); and
- the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 62 to 135).

There were no extraordinary or exceptional items because of size, nature or incidence in respect of the consolidated income statement of the Group for each of the aforesaid years. The Company's auditors, BDO Limited, have not issued any qualified opinion on the Group's financial statements for each of the three years ended 31 December 2015, 2016 and 2017.

The following is a summary of the consolidated financial information of the Group for each of the three years ended 31 December 2015, 2016 and 2017, as extracted from the relevant annual reports of the Company:

	For the year ended 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	4,754,149	5,837,964	8,555,368
Profit/(loss) before taxation	(16,179)	157,672	358,973
Income tax expense	(2,327)	(7,610)	(26,900)
Profit/(loss) for the year	(18,506)	150,062	332,073
Profit/(loss) attributable to:			
Owners of the Company	(18,460)	150,189	332,293
Non-controlling interests	(46)	(127)	(220)
	(18,506)	150,062	332,073
Earnings/(loss) per share (HK$)			
— Basic	(0.04)	0.36	0.76
— Diluted	(0.04)	0.36	0.75

	As at 31 December		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Assets and liabilities			
Total assets	2,305,835	2,904,408*	4,098,979
Total liabilities	1,528,292	1,971,214*	2,890,939
Net assets	777,543	933,194	1,208,040
Non-controlling interests	49	176	113
Equity attributable to Owners of the Company	777,592	933,370	1,208,153

* Certain comparative figures of immaterial amounts have been adjusted to conform with changes in presentation in the 2017 Annual Report.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2017 as extracted from the annual report of the Company for the year ended 31 December 2017:

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6,7	**8,555,368**	5,837,964
Cost of sales		**(7,639,397)**	(5,247,217)
Gross profit		**915,971**	590,747
Other revenue and other gains and losses	8	**12,089**	(16,156)
Selling and distribution expenses		**(133,565)**	(81,868)
Administrative expenses		**(411,476)**	(320,881)
Finance costs	9	**(24,046)**	(14,170)
Profit before income tax	10	**358,973**	157,672
Income tax expense	11	**(26,900)**	(7,610)
Profit for the year		**332,073**	150,062
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**3,605**	(199)
Total comprehensive income for the year		**335,678**	149,863
Profit for the year attributable to:			
— Owners of the Company		**332,293**	150,189
— Non-controlling interests		**(220)**	(127)
		332,073	150,062
Total comprehensive income for the year attributable to:			
— Owners of the Company		**335,898**	149,990
— Non-controlling interests		**(220)**	(127)
		335,678	149,863
		HK$	HK$
Earnings per share	15		
— Basic		**0.76**	0.36
— Diluted		**0.75**	0.36

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	16	**58,728**	55,315
Intangible assets	17	**5,915**	6,130
Other financial assets	18	**36,612**	20,992
Deferred tax assets	20	**6,445**	2,414
Total non-current assets		**107,700**	84,851
Current assets			
Inventories	21	**1,349,456**	1,281,467
Trade and other receivables	19	**1,186,246**	747,801
Amount due from a related party	32(i)	**1,762**	—
Cash and bank balances	22	**1,453,815**	790,289
Total current assets		**3,991,279**	2,819,557
Total assets		**4,098,979**	2,904,408
Current liabilities			
Trade and other payables	23	**1,487,961**	960,499
Amount due to a related party	32(i)	**—**	562
Borrowings	24	**1,350,956**	987,555
Provisions	25	**28,576**	12,883
Obligations under finance leases		**18**	16
Current tax liabilities		**23,361**	9,624
Total current liabilities		**2,890,872**	1,971,139
Net current assets		**1,100,407**	848,418
Total assets less current liabilities		**1,208,107**	933,269

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Obligations under finance leases		**67**	35
Deferred tax liabilities	20	**–**	40
Total non-current liabilities		**67**	75
NET ASSETS		**1,208,040**	933,194
Capital and reserves			
Share capital	26	**44,484**	42,939
Reserves		**1,163,669**	890,431
Equity attributable to owners of the Company		**1,208,153**	933,370
Non-controlling interests		**(113)**	(176)
TOTAL EQUITY		**1,208,040**	933,194

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 2017

	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	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	41,752	119,331	(1,219)	6,702	21,771	2,884	14,867	571,504	777,592	(49)	777,543
Profit for the year	–	–	–	–	–	–	–	150,189	150,189	(127)	150,062
Other comprehensive income											
– exchange difference on translating foreign operations	–	–	(199)	–	–	–	–	–	(199)	–	(199)
Total comprehensive income	–	–	(199)	–	–	–	–	150,189	149,990	(127)	149,863
Shares issued under share option scheme	1,187	22,755	–	–	–	–	(6,605)	–	17,337	–	17,337
Dividends paid (note 14)	–	–	–	–	–	–	–	(14,613)	(14,613)	–	(14,613)
Equity settled share-based transactions (note 28)	–	–	–	–	–	–	3,064	–	3,064	–	3,064
Lapse of share options	–	–	–	–	–	–	(7,223)	7,223	–	–	–
Transfer to retained earnings	–	–	–	–	–	(60)	–	60	–	–	–
At 31 December 2016 and 1 January 2017	42,939	142,086	(1,418)	6,702	21,771	2,824	4,103	714,363	933,370	(176)	933,194
Profit for the year	–	–	–	–	–	–	–	332,293	332,293	(220)	332,073
Other comprehensive income											
– exchange difference on translating foreign operations	–	–	3,601	–	4	–	–	–	3,605	–	3,605
Total comprehensive income	–	–	3,601	–	4	–	–	332,293	335,898	(220)	335,678
Shares issued under share option scheme	1,545	20,371	–	–	–	–	(5,076)	–	16,840	–	16,840
Dividends paid (note 14)	–	–	–	–	–	–	–	(80,715)	(80,715)	–	(80,715)
Equity settled share-based transactions (note 28)	–	–	–	–	–	–	2,760	–	2,760	–	2,760
Lapse of share options	–	–	–	–	–	–	(1,142)	1,142	–	–	–
Transfer to legal reserve	–	–	–	–	–	204	–	(204)	–	–	–
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	–	–	283	283
At 31 December 2017	44,484	162,457	2,183	6,702	21,775	3,028	645	966,879	1,208,153	(113)	1,208,040

Notes:

(a) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share in 2012. 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 made by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserve made by the Group's subsidiaries established in the People's Republic of China (the "PRC") pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the registered capital of these entities. The statutory reserve can be utilised, upon approved 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 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before income tax		**358,973**	157,672
Adjustments for:			
Depreciation of property, plant and equipment		**15,606**	16,077
Amortisation of intangible assets		**215**	287
Interest income		**(2,734)**	(3,194)
Net fair value gains on derivative financial instruments		**(329)**	(1,172)
Interest expense		**24,046**	14,170
Bad debts written off		**1,052**	54
Gain on waiver of obligations under finance leases		**(27)**	—
(Gain)/loss on disposal of property, plant and equipment		**(362)**	226
Property, plant and equipment written off		**39**	—
Provision for impairment losses on trade and other receivables		**7,535**	746
Share-based payment expenses		**2,760**	3,064
Provision for obsolete inventories		**31,065**	8,115
Provision for product warranties and returns, net		**27,675**	16,922
Provision for demand of repayment, net		**289**	3,678
Operating profit before working capital changes		**465,803**	216,645
Inventories		**(98,818)**	(487,377)
Trade and other receivables		**(447,059)**	(112,132)
Amount due from a related party		**(1,762)**	—
Trade and other payables		**527,173**	241,537
Amount due to a related party		**(562)**	562
Import loans		**364,548**	182,761
Provision for product warranties and returns		**(11,992)**	(8,004)
Cash generated from operations		**797,331**	33,992
Interest paid		**(24,046)**	(14,170)
Income tax paid		**(17,557)**	(295)
Net cash generated from operating activities		**755,728**	19,527
Investing activities			
Net increase in time deposits		**—**	(24)
Payments to acquire property, plant and equipment		**(18,746)**	(23,949)
Proceeds from disposal of property, plant and equipment		**408**	1,529
Interest received		**2,734**	3,194
Net cash received/(paid) on settlement of derivative financial instruments		**329**	(7,073)
Addition of available-for-sale financial assets		**(15,620)**	—
Net cash used in investing activities		**(30,895)**	(26,323)

	Notes	2017 HK$'000	2016 HK$'000
Financing activities			
Issue of new shares		**16,840**	17,337
Capital contribution from non-controlling interest		**283**	—
Dividend paid to owners of the Company		**(80,715)**	(14,613)
Proceeds from discounted bills and factoring loans		**80,687**	74,163
Repayment of discounted bills and factoring loans		**(81,834)**	(69,776)
Repayment of obligations under finance leases		**(18)**	(16)
Net cash (used in)/generated from financing activities		**(64,757)**	7,095
Net increase in cash and cash equivalents		**660,076**	299
Cash and cash equivalents at beginning of year		**789,839**	789,783
Effect of exchange rate changes on cash and cash equivalents		**3,446**	(243)
Cash and cash equivalents at end of year, representing Cash and bank balances	22	**1,453,361**	789,839

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands 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 Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. Its principal place of business is situated at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, New Territories, 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 parts and accessories with its operation based in the Mainland China and trading of electronics and personal computer parts and accessories with its operation base in Hong Kong, Macau, Korea and the United States of America.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 January 2017

The Group has adopted the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, note 29.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs — effective 1 January 2017 (continued)

Annual Improvements to HKFRSs 2014–2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

The following new/revised HKFRSs, potentially relevant to the Group's 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 HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

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

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

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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

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

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HK(IFRIC)—Int 22 — Foreign Currency Transactions and Advance Consideration

The interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

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

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met — instead of at FVTPL.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)—Int 23 — Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12 Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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

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

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the assessment completed to date is based on the information currently available to the Group, the actual impacts upon the initial adoption of the standards may differ, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group's available-for-sale investments, which are currently stated at cost less impairment, will then be measured at FVTPL or be designated at FVTOCI (subject to fulfilment of the designation criteria).

The Group does not have any financial liabilities designated at FVTPL and therefore the new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

HKFRS 15 Revenue from Contracts with Customers

The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment completed to date, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 4(h). Currently, revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the adoption of HKFRS 15 will not have a material impact on the amounts reported in any given financial reporting period.

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

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

HKFRS 15 Revenue from Contracts with Customers (continued)

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, and the length of time between the payment date and the date when the customers obtain control of the goods is usually a few months.

The Group has assessed that this component in the Group's customer deposits is not likely to be significant to the contract.

(c) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

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

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

HKFRS 16 Leases

Currently the Group classifies leases into operating leases and finance leases, and accounts for the lease arrangements according to the nature of the lease. The Group enters into leases as the lessee.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of comprehensive income over the period of the lease. As disclosed in note 27, at 31 December 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$38,339,000 properties, among which HK$4,015,000 is payable between 2 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment. The Group has not yet decided whether it will choose to take advantage of this practical expedient, and which transition approach to be taken.

Except the possible impacts of adoption of HKFRS 9, 15 and 16 as discussed above, the Group is not yet in a position to state whether the other new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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 land and buildings	50 years
Leasehold improvements	Over the remaining lease terms
Plant and machinery	2 to 5 years
Office and testing equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	3 years
Moulds	2 to 4 years

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

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

(d) Intangible assets

(i) Acquired intangible assets

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

Non-contractual customer lists and relationship	5 years

The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Impairment

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

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

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

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

Research and development expenditure

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

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

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Impairment (continued)

Research and development expenditure (continued)

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

(e) Leasing

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Inventories

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

(g) Financial instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

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

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

(ii) Impairment loss on financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For loans and receivables

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

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

For available-for-sale financial assets

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

(vi) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Revenue recognition

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

Service income is recognised when services are provided.

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

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

(i) Income taxes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency

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

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

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

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

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

(k) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (continued)

(ii) Defined contribution retirement plan

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

(iii) Pension obligations

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

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

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(l) Impairment of assets other than 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;
- intangible assets with finite useful lives; and
- investment in a subsidiary

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of assets other than financial assets (continued)

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.

(m) Share-based payments

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

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

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

(n) Capitalisation of borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) 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.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Useful lives of property, plant and equipment and intangible assets

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

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

Impairment of available-for-sale investments

The Group determines at each reporting date whether there is any objective evidence that the available-for-sale investments are impaired. In performing its review, the Group considers the profitability and financial position of the investments and economic outlooks relating to those investments. If such indication exists, the amount of the impairment loss is measured as the difference between the carrying amount of available-for-sale investments and the present value of estimated future cash flows, discounted at the current market rate of return for a similar investment. If the economic outlooks of the investments were to deteriorate, resulting in an impairment of the investments, the carrying value of those investments may be required to be impaired as of 31 December 2017.

Provision for obsolete inventories

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

Impairment of trade receivables

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

Warranty and returns provisions

As explained in note 25, the Group makes provisions under the warranties and returns 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.

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacturing and trading of electronics and personal computer parts and accessories.

(b) Geographical information

(i) Revenue

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

	2017 HK$'000	2016 HK$'000
Asia Pacific ("APAC")	**3,619,005**	2,367,555
North and Latin America ("NALA")	**1,023,123**	900,902
PRC	**2,171,183**	1,621,705
Europe, Middle East, Africa and India ("EMEAI")	**1,742,057**	947,802
	8,555,368	5,837,964

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

(ii) Specified non-current assets

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

	2017 HK$'000	2016 HK$'000
APAC	**10,409**	8,771
NALA	**24,910**	25,388
PRC	**29,237**	27,236
EMEAI	**87**	50
	64,643	61,445

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6. SEGMENT REPORTING (CONTINUED)

(c) Revenue from major products and services

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

	2017 HK$'000	2016 HK$'000
Video graphics cards	**7,165,095**	4,502,049
Electronics manufacturing services	**524,772**	680,924
Other PC related products and components	**865,501**	654,991
	8,555,368	5,837,964

(d) Revenue from brand and non-brand businesses

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

	2017 HK$'000	2016 HK$'000
Brand businesses	**4,930,525**	3,427,652
Non-brand businesses	**3,624,843**	2,410,312
	8,555,368	5,837,964

(e) Information about the major customer

Revenue from the customer contributing 10% or more of the Group's revenue for the stated periods is as follows:

	2017 HK$'000	2016 HK$'000
Customer A (note)	**1,095,582**	1,062,393

Note:

Revenue from this customer was derived from sale of video graphics cards in the PRC.

7. REVENUE

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

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Interest income	**2,734**	3,194
Net exchange gains/(losses)	**4,445**	(20,429)
Net fair value gains on derivative financial instruments	**329**	1,172
Gain/(loss) on disposal of property, plant and equipment	**362**	(226)
Gain on waiver of obligations under finance leases	**27**	—
Sundry income	**4,481**	5,168
Provision for demand of repayment, net	**(289)**	(3,678)
Others	**—**	(1,357)
	12,089	(16,156)

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank advances and other borrowings	**24,046**	14,170

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10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2017 HK$'000	2016 HK$'000
Inventories recognised as expense	**7,608,332**	5,239,102
Provision for obsolete inventories	**31,065**	8,115
Cost of sales	**7,639,397**	5,247,217
Staff costs (note 12)	**419,253**	351,535
Auditor's remuneration	**1,752**	1,701
Bad debts written off	**1,052**	54
Depreciation of property, plant and equipment	**15,606**	16,077
Amortisation of intangible assets (note (a))	**215**	287
Provision for impairment losses on trade and other receivables	**7,535**	746
Operating lease payments on plant and machinery	**210**	193
Operating lease payments on premises	**30,755**	34,272
Property, plant and equipment written off	**39**	—
Provision for product warranties and returns, net (note 25)	**27,675**	16,922
Provision for demand of repayment, net	**289**	3,678
Research and development expenditure (note (b))	**52,318**	45,270

Notes:

(a) Amortisation of intangible assets of HK$215,000 (2016: HK$287,000) is included in "Administrative expenses" in the consolidated statement of comprehensive income.

(b) The research and development expenditure for the year includes HK$52,318,000 (2016: HK$45,270,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

11. INCOME TAX EXPENSE

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

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong		
— provision for the year	**26,625**	6,034
— under/(over) provision in respect of prior year	**29**	(1,632)
Current tax — PRC		
— provision for the year	**1,896**	4,674
— over provision in respect of prior year	**(1,630)**	(2,238)
Current tax — others		
— provision for the year	**3,699**	1,775
— under/(over) provision in respect of prior year	**344**	(18)
	30,963	8,595
Deferred tax		
— origination and reversal of temporary differences (note 20)	**(4,063)**	(985)
Income tax expense	**26,900**	7,610

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

The Company's Macau subsidiary is exempted from Macau Complimentary Tax pursuant to Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999.

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 December 2017. 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.

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For the year ended 31 December 2017

11. INCOME TAX EXPENSE (CONTINUED)

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

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 during 2015 and the applicable PRC enterprise income tax rate for the year is 15% (2016: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2016: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2017.

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

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	**358,973**	157,672
Tax on profit before income tax, calculated at Hong Kong profits tax rate	**59,231**	26,016
Effect of different tax rates of subsidiaries operating in other jurisdictions	**7,752**	5,618
Effect of tax exemption granted to a subsidiary	**(15,035)**	(7,158)
Tax effect of non-taxable net income relating to offshore operation	**(11,736)**	(4,687)
Tax effect of expenses not deductible for tax purposes	**29,907**	22,521
Tax effect of revenue not taxable for tax purposes	**(29,440)**	(23,850)
Tax effect of tax losses and deductible temporary differences not recognised	**441**	454
Utilisation of tax losses and deductible temporary differences previously not recognised	**(13,833)**	(7,632)
Over provision in prior year	**(1,257)**	(3,888)
Tax rebate	**(150)**	(71)
Others	**1,020**	287
Income tax expense	**26,900**	7,610

12. STAFF COSTS

	2017 HK$'000	2016 HK$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	**385,913**	321,758
Pension contribution	**3,286**	3,091
Social insurance	**14,583**	12,889
Share-based payment (equity-settled)	**2,760**	3,064
Provision for long services payment, provision for annual leave and others	**12,711**	10,733
	419,253	351,535

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2016: ten) directors and chief executive were as follows:

Year ended 31 December 2017

Name of directors	Fees HK$'000	Basic salaries and bonus HK$'000	Pension contribution HK$'000	Housing and other allowances and benefits in kind HK$'000	Sub-total HK$'000	Share-based payment (note (i)) HK$'000	Total HK$'000
Executive directors							
Mr. WONG Shik Ho, Tony	–	17,835	18	589	18,442	190	18,632
Mr. WONG Fong Pak	–	8,062	–	6	8,068	190	8,258
Mr. LEUNG Wah Kan	–	12,410	18	25	12,453	190	12,643
Mr. MAN Wai Hung	–	5,077	18	50	5,145	189	5,334
Mr. HO Nai Nap	–	6,726	18	–	6,744	189	6,933
Non-executive directors							
Mrs. HO WONG Mary Mee-Tak	60	–	–	–	60	–	60
Mr. CHIU Wing Yui (note (iii))	60	–	–	–	60	–	60
Mr. IP Shing Hing	240	–	–	–	240	–	240
Mr. LAI Kin Jerome	240	–	–	–	240	–	240
Mr. CHEUNG Ying Sheung	240	–	–	–	240	–	240
	840	50,110	72	670	51,692	948	52,640

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

(a) Directors' emoluments (continued)

Year ended 31 December 2016

Name of directors	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Sub-total	Share- based payment (note (i))	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Mr. WONG Shik Ho, Tony	–	11,320	18	609	11,947	204	12,151
Mr. WONG Fong Pak	–	9,022	–	3	9,025	203	9,228
Mr. LEUNG Wah Kan	–	9,148	18	33	9,199	203	9,402
Mr. MAN Wai Hung	–	3,009	18	48	3,075	203	3,278
Mr. HO Nai Nap	–	3,651	18	–	3,669	203	3,872
Non-executive directors							
Mrs. HO WONG Mary Mee-Tak	60	–	–	–	60	–	60
Mr. CHIU Wing Yui (note (iii))	60	–	–	–	60	–	60
Mr. IP Shing Hing	240	–	–	–	240	–	240
Mr. LAI Kin Jerome	240	–	–	–	240	–	240
Mr. CHEUNG Ying Sheung	240	–	–	–	240	–	240
	840	36,150	72	693	37,755	1,016	38,771

Notes:

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

The details of these benefits-in-kind, including the principal terms and number of options granted, are disclosed in note 28.

(ii) 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.

(iii) As alternative director to Mrs. Ho Wong Mary Mee-Tak.

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 (2016: all) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above and the remaining highest paid individual was senior management personnel whose emolument is included in the band of HK$7,000,001 to HK$7,500,000 in the disclosure in note 13(c) below.

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 (2016: HK$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2016: None).

(c) Senior management's emoluments

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

	2017 No. of Individuals	2016 No. of Individuals
HK$Nil to HK$1,000,000	**3**	5
HK$1,000,001 to HK$1,500,000	**8**	6
HK$1,500,001 to HK$2,000,000	**3**	4
HK$2,000,001 to HK$2,500,000	**—**	1
HK$6,000,001 to HK$6,500,000	**1**	—
HK$7,000,001 to HK$7,500,000	**1**	—

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14. DIVIDENDS

	2017 HK$'000	2016 HK$'000
2016 Final dividend paid — HK$0.108 per share (2016: 2015 Final dividend paid — HK$Nil per share)	47,209	—
2016 Special dividend paid — HK$0.036 per share (2016: 2015 Special dividend paid — HK$Nil per share)	15,736	—
2017 Interim dividend paid — HK$0.04 per share (2016: 2016 Interim dividend paid — HK$0.035 per share)	17,770	14,613
Dividends paid for the year	80,715	14,613

The directors of the Company proposed a final dividend of HK$0.28 (2016: HK$0.108) per share and a special dividend of HK$Nil (2016: HK$0.036) per share, totalling HK$124,556,000 (2016: HK$62,945,000) after the end of the reporting period. The final dividend and special dividend have 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 2017 and 2016 is based on the following data:

Profit	2017 HK$'000	2016 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	332,293	150,189

Number of shares	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	437,248,120	419,421,359
Effect of dilutive potential ordinary shares:		
— share options	6,259,568	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	443,507,688	419,421,359

The basic and diluted earnings per share for the year ended 31 December 2016 are the same as these outstanding share options are anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold improvements	Plant and machinery	Office and testing equipment	Furniture and fixtures	Motor vehicles	Moulds	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At 1 January 2016	24,644	51,822	287,051	64,574	1,986	3,106	1,622	434,805
Additions	281	221	17,974	2,995	267	912	1,299	23,949
Disposals/written off	–	(3,585)	(31,349)	(4,265)	(16)	(800)	–	(40,015)
Exchange adjustments	13	–	–	(7)	–	–	–	6
At 31 December 2016 and 1 January 2017	24,938	48,458	273,676	63,297	2,237	3,218	2,921	418,745
Additions	–	577	4,686	10,785	132	2,535	121	18,836
Disposals/written off	–	(321)	(12,195)	(855)	–	(23)	–	(13,394)
Exchange adjustments	198	53	–	152	21	7	–	431
At 31 December 2017	25,136	48,767	266,167	73,379	2,390	5,737	3,042	424,618
Accumulated depreciation:								
At 1 January 2016	52	46,079	276,256	58,338	1,296	2,658	941	385,620
Depreciation	326	3,187	6,897	4,571	178	558	360	16,077
Written back on disposal/written off	–	(3,174)	(30,111)	(4,172)	(16)	(787)	–	(38,260)
Exchange adjustments	–	(1)	–	(7)	1	–	–	(7)
At 31 December 2016 and 1 January 2017	378	46,091	253,042	58,730	1,459	2,429	1,301	363,430
Depreciation	329	2,373	5,753	5,379	196	639	937	15,606
Written back on disposal/written off	–	(282)	(12,148)	(845)	–	(23)	–	(13,298)
Exchange adjustments	3	23	–	115	10	1	–	152
At 31 December 2017	710	48,205	246,647	63,379	1,665	3,046	2,238	365,890
Net book value:								
At 31 December 2017	24,426	562	19,520	10,000	725	2,691	804	58,728
At 31 December 2016	24,560	2,367	20,634	4,567	778	789	1,620	55,315

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17. INTANGIBLE ASSETS

	Brand name HK$'000	Non-contractual customer lists and relationship HK$'000	Total HK$'000
Cost:			
At 1 January 2016, 31 December 2016 and 31 December 2017	6,196	10,074	16,270
Accumulated amortisation and impairment:			
At 1 January 2016	281	9,572	9,853
Amortisation	—	287	287
At 31 December 2016 and 1 January 2017	281	9,859	10,140
Amortisation	—	215	215
At 31 December 2017	281	10,074	10,355
Carrying amount:			
At 31 December 2017	5,915	—	5,915
At 31 December 2016	5,915	215	6,130

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

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

For impairment testing, brand name is allocated to the cash generating units (CGUs) — VGA cards retailing business in respective brand names that contribute the cash flows. The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and profit margin during the year. Management estimates discount rate of 27% (2016: 19.7%) that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the coming year and extrapolates cash flows for the following year with a growth rate of -22% to -41% (2016: 3%) and subsequent five years with a steady growth rate of 2% to 5% (2016: 2%). Profit margin is based on historical data of the CGUs.

18. OTHER FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Available-for-sale investments — Non-current		
Investments in unlisted securities (notes)		
— Ordinary shares in Federal Bonus Limited (note (b))	**244**	244
— Ordinary shares in Sapphire Global Holdings Limited (note (b))	**20,748**	20,748
— Preferred stock in Dreamscape Immersive Inc. (note (c))	**15,620**	—
Total	**36,612**	20,992

Notes:

(a) The Group holds less than 20% equity interest in and has no significant influence over the above investees.

(b) These are investments in ordinary shares in private companies incorporated in the British Virgin Islands ("BVI"). As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses. The directors have no intention to dispose of the investments in the next twelve months.

(c) This is an investment in preferred stock in a private company incorporated in the United States of America of US$1,999,995 (2016: US$nil). As the investment does not have a quoted market price in an active market and its fair value cannot be reliably measured, it is stated at cost less any accumulated impairment losses. The directors have no intention to dispose of the investment in the next twelve months.

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19. TRADE AND OTHER RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**1,165,369**	731,547
Less: Accumulated impairment losses	**(7,543)**	(7,333)
	1,157,826	724,214
Other receivables (note)	**9,530**	8,483
Less: Accumulated impairment losses	**(1,027)**	—
	8,503	8,483
Deposits and prepayments	**19,917**	15,104
	1,186,246	747,801

Note:

The balance includes a claim of HK$2.5 million under an insurance policy as detailed in note 23(b).

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2016, the Group entered into trade receivables factoring arrangement and transferred certain trade receivables to banks. There are two types of arrangements including factoring loans without recourse and discounted bills with full recourse.

For factoring loans without recourse, as at 31 December 2016, the Group had drawn approximately HK$73,589,000 from banks by transferring its trade receivables. The Group has transferred substantially all risks and rewards relating to the trade receivables and thus the trade receivables are regarded as transferred financial assets that should be derecognised. Therefore, the corresponding trade receivables are derecognised in the consolidated financial statements.

As at 31 December 2017, the Group had not entered into any trade receivables factoring arrangement.

For discounted bills with full recourse, as at 31 December 2017, trade receivables with both original carrying value and the carrying amount of approximately HK$17,511,000 (2016: HK$18,658,000) had been transferred to banks. Since the Group has retained substantial risks and rewards relating to the trade receivables including default risks, the trade receivables are regarded as transferred financial assets that should not be derecognised. Accordingly, the trade receivables and the corresponding proceeds of discounted bills with same amount as the trade receivables continued to be recognised in the consolidated financial statements even though the trade receivables have been legally transferred to banks. In the event of default by the debtors, the Group is obliged to pay the banks the amount in default. Interest is charged at 1.78% to 2.40% (2016: 1.25% to 1.87%) on the proceeds received from the banks until the date the debtors pay.

The carrying amount of trade receivables of HK$17,511,000 and the corresponding proceeds of discounted bills approximate to their fair values.

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

	2017 **HK$'000**	2016 HK$'000
Within 1 month	**710,267**	404,342
Over 1 month but within 3 months	**364,466**	287,502
Over 3 months but within 1 year	**24,703**	29,385
Over 1 year	**58,390**	2,985
	1,157,826	724,214

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19. TRADE AND OTHER RECEIVABLES (CONTINUED)

The credit period on sale of goods is 30 to 90 days (2016: 30 to 60 days) from the invoice date.

The ageing analysis of trade receivables (net of impairment losses) of the Group, based on due dates, as of the end of the year is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**843,191**	501,338
Within 1 month	**212,150**	125,046
Over 1 month but within 3 months	**31,369**	78,833
Over 3 months but within 1 year	**13,287**	16,027
Over 1 year	**57,829**	2,970
	1,157,826	724,214

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 December 2017, the Group held pledges of landed properties for certain of these balances amounted to HK$61,299,000 (2016: HK$29,345,000) while the fair value of pledged landed properties amounted to HK$69,728,000 (2016: HK$29,520,000).

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**7,333**	6,594
Provision of impairment loss recognised	**6,508**	746
Uncollectible amounts written off	**(6,325)**	(9)
Exchange difference	**27**	2
At end of year	**7,543**	7,333

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

20. DEFERRED TAX

Details of the deferred tax liabilities and 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 2016	953	436	—	1,389
Credited to profit or loss	4	981	—	985
At 31 December 2016 and 1 January 2017	957	1,417	—	2,374
(Charged)/credited to profit or loss	(24)	1,316	2,771	4,063
Exchange difference	—	—	8	8
At 31 December 2017	933	2,733	2,779	6,445

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**6,445**	2,414
Deferred tax liabilities	**—**	(40)
	6,445	2,374

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20. DEFERRED TAX (CONTINUED)

Deferred tax asset has not been recognised for the followings:

	2017 HK$'000	2016 HK$'000
Deductible temporary differences	**15,643**	8,723
Unused tax losses	**10,880**	56,000
	26,523	64,723

The PRC subsidiaries of the Company are subject to PRC withholding income tax at a statutory rate of 10% (2016: 10%) on any dividend declared.

Except for one subsidiary, no deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK$5,387,000 (2016: HK$6,410,000) could be carried forward indefinitely. Remaining losses amounting to approximately HK$5,493,000 (2016: HK$49,590,000) will expire during 2022 to 2035.

The temporary difference associated with investment in subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately HK$36,080,000 (2016: HK$21,131,000).

21. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**865,789**	616,656
Work in progress	**65,233**	34,832
Finished goods	**478,682**	664,356
	1,409,704	1,315,844
Less: Provision for obsolete inventories	**(60,248)**	(34,377)
	1,349,456	1,281,467

22. CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**1,453,815**	790,289
Less: Pledged time deposit	**(454)**	(450)
Cash and cash equivalents in the consolidated statement of cash flows	**1,453,361**	789,839

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

	2017 HK$'000	2016 HK$'000
Renminbi	**96,983**	75,996
Japanese Yen	**2,998**	2,878
Taiwan Dollars	**1,561**	1,535
United States Dollars	**1,065,793**	573,699
Hong Kong Dollars	**247,465**	121,885
Korean Won	**28,060**	12,294
Euro	**9,782**	341
Others	**719**	1,211
	1,453,361	789,839

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.

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23. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**1,057,747**	828,143
Other payables and accruals (notes (a), (b))	**430,214**	132,356
	1,487,961	960,499

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

Note:

(a) As at 31 December 2017, other payables and accruals mainly comprised deposit received from customers, provision for bonus and accrued expenses.

(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$6.5 million in respect of the abovementioned demand, of which HK$2.5 million is covered by insurance policy (note 19).

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

	2017 HK$'000	2016 HK$'000
At beginning of year	**6,121**	—
Additional provision	**289**	6,121
Exchange difference	**51**	—
At end of year	**6,461**	6,121

23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**633,874**	563,934
Over 1 month but within 3 months	**389,326**	242,260
Over 3 months but within 1 year	**31,232**	18,689
Over 1 year	**3,315**	3,260
	1,057,747	828,143

24. BORROWINGS

	2017 HK$'000	2016 HK$'000
Import loans — secured	**1,333,445**	968,897
Discounted bills	**17,511**	18,658
	1,350,956	987,555

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

	2017 HK$'000	2016 HK$'000
On demand or within 1 year	**1,350,956**	987,555

(i) At 31 December 2017, the above borrowings bear interest at effective interest rates ranging from 0.9% per annum over cost of funds (2016: 0.9% per annum over cost of funds) to 1.1% per annum over cost of funds (2016: 1.1% per annum cost of funds) for the year.

(ii) The Group's banking facilities are secured by bank deposits of HK$454,000 (2016: HK$450,000).

(iii) The discounted bills are secured by the Group's trade receivables as disclosed in note 19.

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24. BORROWINGS (CONTINUED)

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

25. PROVISIONS

	2017 HK$'000	2016 HK$'000
Provision for product warranties and returns		
At beginning of year	**12,883**	3,965
Additional provision, net	**27,675**	16,922
Utilisation	**(11,992)**	(8,004)
Exchange difference	**10**	—
Net movement for the year	**15,693**	8,918
At end of year	**28,576**	12,883

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

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

26. SHARE CAPITAL

	2017		2016	
	Number of shares	HK$'000	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At beginning of year	**429,393,668**	**42,939**	417,518,668	41,752
Share options exercised	**15,450,000**	**1,545**	11,875,000	1,187
At end of year	**444,843,668**	**44,484**	429,393,668	42,939

27. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 10 years and many have break clauses.

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

	2017 HK$'000	2016 HK$'000
Within 1 year	**34,324**	23,336
Over 1 year but within 5 years	**4,015**	8,726
	38,339	32,062

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28. SHARE-BASED PAYMENT

(a) Pre-IPO Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 (the "Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme"). Under the Pre-IPO Share Option Scheme, share options are granted to directors (including non-executive directors), employees and consultants to the Group (the "Grantees"). The Pre-IPO Share Option Scheme was terminated on 24 December 2011. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares of the Company, representing 7.66% of the issued share capital of the Company immediately following the completion of the offering (as defined in the Company's prospectus dated 29 December 2011), at an exercise price of HK$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK$1 to the Company on acceptance of the offer for the grant of option.

Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 (the "Listing Date") and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 and in accordance with the Group's accounting policy set out in note 4(m).

The fair values for total share options granted to directors and employees amounted to HK$7,175,000 and HK$10,095,000 respectively and were calculated using the Binomial option pricing model by Stirling Appraisals Limited, a qualified valuer. The weighted average remaining contractual life of the share options outstanding at 31 December 2017 is Nil year (2016: Nil year).

28. SHARE-BASED PAYMENT (CONTINUED)

(b) 2016 Share Option Scheme

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

Details of the 2016 Share Option Scheme are set out in the Company's circular dated 1 June 2016.

The fair values for total share options granted to directors and employees amounted to HK$1,964,000 and HK$3,955,000 respectively and were calculated using the Binomial option pricing model by Stirling Appraisals Limited, a qualified valuer. The weighted average remaining contractual life of the share options outstanding at 31 December 2017 is 0.92 years.

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

	2017			
	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	1.12	6,000	13,870	19,870
Lapsed during the year	1.46	—	(2,470)	(2,470)
Exercised during the year	1.09	(5,400)	(10,050)	(15,450)
Outstanding at the end of the year	1.09	600	1,350	1,950
Exercisable at the end of the year	1.46	—	—	—
Exercisable at the end of the year	1.09	600	1,350	1,950

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28. SHARE-BASED PAYMENT (CONTINUED)

(b) 2016 Share Option Scheme (continued)

	2016			
	Weighted average exercise price HK$	Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	1.46	13,290	14,200	27,490
Lapsed during the year	1.46	(6,645)	(7,100)	(13,745)
Exercised during the year	1.46	(6,645)	(5,230)	(11,875)
Granted during the year	1.09	6,000	12,000	18,000
Outstanding at the end of the year	1.12	6,000	13,870	19,870
Exercisable at the end of the year	1.46	—	1,870	1,870
Exercisable at the end of the year	1.09	—	—	—

The weighted averaged share price at the date of exercise for share options exercised during the year was HK$2.75 (2016: HK$1.78).

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

	2017				
Director	**Beginning of year**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**End of year**
Mr. WONG Shik Ho Tony	**1,200,000**	**—**	**(1,200,000)**	**—**	**—**
Mr. WONG Fong Pak	**1,200,000**	**—**	**(1,200,000)**	**—**	**—**
Mr. LEUNG Wah Kan	**1,200,000**	**—**	**(600,000)**	**—**	**600,000**
Mr. MAN Wai Hung	**1,200,000**	**—**	**(1,200,000)**	**—**	**—**
Mr. HO Nai Nap	**1,200,000**	**—**	**(1,200,000)**	**—**	**—**
Total	**6,000,000**	**—**	**(5,400,000)**	**—**	**600,000**

28. SHARE-BASED PAYMENT (CONTINUED)

Director	Beginning of year	2016 Granted during the year	Exercised during the year	Lapsed during the year	End of year
Mr. WONG Shik Ho Tony	4,290,000	1,200,000	(2,145,000)	(2,145,000)	1,200,000
Mr. WONG Fong Pak	3,300,000	1,200,000	(1,650,000)	(1,650,000)	1,200,000
Mr. LEUNG Wah Kan	3,300,000	1,200,000	(1,650,000)	(1,650,000)	1,200,000
Mr. MAN Wai Hung	1,200,000	1,200,000	(600,000)	(600,000)	1,200,000
Mr. HO Nai Nap	1,200,000	1,200,000	(600,000)	(600,000)	1,200,000
Total	13,290,000	6,000,000	(6,645,000)	(6,645,000)	6,000,000

The inputs into the model were as follows:

	"Pre-IPO Share Option Scheme" Employees and directors As at 14 December 2011	**"2016 Share Option Scheme" Employees and directors** As at 26 August 2016
Weighted average share price	1.60	1.09
Weighted average exercise price	1.46	1.09
Expected volatility	50.16% to 50.76%	61.38% to 65.72%
Expected life	4.079 to 5.081 years	1.84 to 2.35 years
Risk-free interest rate	0.663% to 0.839%	0.453% to 0.469%
Early exercise behaviour	220%	220% to 280%
Expected dividend yield	5%	5.230% to 5.272%

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

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

The options 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 while the options under the "Pre-IPO Share Option Scheme" were expected to be exercised when the share price of the underlying security of the options rises to 220% of the exercise price.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

29. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2017 HK$'000	2016 HK$'000
Cash available on demand	**1,425,359**	780,509
Short-term deposits	**28,002**	9,330
Significant non-cash transactions are as follows:		
Financing activities		
Assets acquired under finance leases	**90**	—
Termination of finance leases	**(38)**	—
	52	—

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (note 24) HK$'000	**Obligations under finance leases** HK$'000
At 1 January 2017	987,555	51
Proceeds from discounted bills and factoring loans	80,687	—
Repayment of discounted bills and factoring loans	(81,834)	—
Repayment of obligations under finance leases	—	(18)
Total changes from financing cash flows:	(1,147)	(18)
Other changes:		
Net proceeds from import loan	364,548	—
New finance leases	—	90
Termination of finance leases	—	(38)
Total other changes	364,548	52
At 31 December 2017	1,350,956	85

30. CAPITAL COMMITMENTS

At 31 December 2017, the Group had the following capital commitments contracted for but not provided in respect of:

	2017 HK$'000	2016 HK$'000
Acquisition of property, plant and equipment	**2,542**	365

31. CONTINGENCY

As at 31 December 2017, the Group had the following material contingency:

— **Investigation by United States International Trade Commission under section 337 of the Tariff Act of 1930.**

On 29 December 2017, ZiiLabs Inc., Ltd. ("ZiiLabs"), a Bermuda corporation, filed a complaint with the United States International Trade Commission ("Commission") against two wholly-owned subsidiaries of the Company, namely, Zotac International (Macao Commercial Offshore) Limited and Zotac USA, Inc. (collectively "Zotac"), Zotac's graphics processing unit ("GPU") supplier Nvidia Corporation ("Nvidia") and others (collectively, "Respondents") for an infringement of ZiiLabs's US patents ("Patents") by the Respondents' graphics processors and/or products containing the same ("Complaint"). The Patents are generally related to graphics rendering technology and GPU architectures.

Upon ZiiLabs' request, the Commission has commenced an investigation as to the Complaint ("Investigation"). Certain of Nvidia's graphic cards and GPU products are being accused of infringing the Patents and Zotac is also under the Investigation because certain Zotac products contain the said GPU. Zotac denied that there was any infringement of the Patents. Zotac has appointed US lawyers to handle the Investigation and has already filed a response to the Complaint as per the Commission's request.

Based on the aforesaid patent infringement allegations, ZiiLabs requested the Commission to grant reliefs against the Respondents, including a limited exclusion order prohibiting an importation of the alleged Patent infringing products. There was no claim of damages by ZiiLabs and no provision has been made in the consolidated financial statements.

As the Investigation is at an early stage, there is insufficient information to assess outcome of the Complaint. Management is of the view that its impact on the Group's revenue would be immaterial but would implement measures to reduce any negative impact on the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

32. RELATED PARTIES DISCLOSURES

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

(i) Amount due from/(to) a related party

Amount due from/(to) a related party is unsecured, interest-free and repayable on demand. Maximum amount due from a related party during the year was HK$21,984,000 (2016: 4,524,000). The credit period on sales of good is 30 days (2016: 30 days) from the invoice date.

	2017	2016
	HK$'000	HK$'000
(ii) Related parties transactions		
Related party controlled by a subsidiary's key management personnel		
— sales	**(373,032)**	(17,915)
— commission expense	**3,896**	3,456
— agency fee expense	**607**	512
Related company owned by a director of the Company		
— rental expense	**780**	780
Director of a subsidiary		
— rental expense	**208**	192
Director of the Company		
— rental expense	**208**	192

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.

33. CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 24 and the obligations under finance leases and equity of the Group, comprising share capital, reserves and retained earnings disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

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

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

	2017	2016
	HK$'000	HK$'000
Debts	**1,351,041**	987,606
Cash and bank balances	**(1,453,815)**	(790,289)
Net debts	**(102,774)**	197,317
Total equity	**1,208,040**	933,194
Net debt to equity ratio	**N/A**	21.1%

34. 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 and amount due from a related party, 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 in note 19, however the Group has purchased credit insurance for certain customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 19.

As at 31 December 2017, the Group has a certain concentration of credit risk as 5.8% (2016: 3.9%) and 24.8% (2016: 23.2%) of the total trade receivables and amount due from a related party were due from the Group's largest customer and the five largest customers respectively.

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

(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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	Over 1 year but within 2 years HK$'000	More than 2 years HK$'000
At 31 December 2017					
Trade and other payables	**1,487,961**	**1,487,961**	**1,487,961**	**—**	**—**
Borrowings	**1,350,956**	**1,350,956**	**1,350,956**	**—**	**—**
Obligations under finance leases	**85**	**85**	**18**	**18**	**49**
Total	**2,839,002**	**2,839,002**	**2,838,935**	**18**	**49**
At 31 December 2016					
Trade and other payables	960,499	960,499	960,499	—	—
Amount due to a related party	562	562	562	—	—
Borrowings	987,555	987,555	987,555	—	—
Obligations under finance leases	51	51	16	16	19
Total	1,948,667	1,948,667	1,948,632	16	19

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 HK$'000	Total contractual discounted cash flow HK$'000	Within 1 year HK$'000
31 December 2017	**1,350,956**	**1,353,219**	**1,353,219**
31 December 2016	987,555	989,180	989,180

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For the year ended 31 December 2017

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk

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

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

	2017		2016	
	Effective interest rate (per annum)	**HK$'000**	Effective interest rate (per annum)	HK$'000
Variable rate borrowings:				
Import loans	**2.34%**	**1,333,445**	1.80%	968,897
Discounted bills	**1.10%**	**17,511**	1.79%	18,658
		1,350,956		987,555
Fixed rate borrowings:				
Obligations under finance lease	**Nil**	**85**	Nil	51

At 31 December 2017, 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 2017 by approximately HK$5,641,000 (2016: HK$4,123,000) 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 2016.

(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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

The following table details the Group's exposure at 31 December 2017 and 2016 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.

	2017 Renminbi HK$'000	2016 Renminbi HK$'000	2017 Euro HK$'000	2016 Euro HK$'000
Trade and other receivables	**68,163**	29,303	**396**	197
Cash and bank balances	**82,746**	57,815	**6,465**	1,093
Trade and other payables	**(27,308)**	(9,784)	**(480)**	(388)
Overall net exposure	**123,601**	77,334	**6,381**	902

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 2017		
Renminbi	**5%**	**5,160**
Euro	**5%**	**266**
As at 31 December 2016		
Renminbi	5%	3,229
Euro	5%	38

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

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 2016.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2017 Carrying amount HK$'000	2016 Carrying amount HK$'000
Financial assets		
Loans and receivables		
— Trade and other receivables	**1,168,619**	734,513
— Amount due from a related party	**1,762**	—
— Cash and cash equivalents	**1,453,361**	789,839
Available-for-sale financial assets	**36,612**	20,992
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	**1,268,885**	952,088
— Amount due to a related party	**—**	562
— Borrowings	**1,350,956**	987,555
— Obligations under finance leases	**85**	51

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amount due from/(to) a related party, trade and other payables, borrowings, and obligations under finance leases.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, amount due from/(to) a related party, trade and other payables approximate to their fair values.

36. PARTICULARS OF SUBSIDIARIES

As at 31 December 2017, 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
Active Smart Limited	Hong Kong 15 February 1994	Hong Kong	HK$10,000	–	100%	Trading of computer parts
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Double Hero Petroleum Factory Limited	Hong Kong 16 August 1994	Hong Kong	HK$50,000	–	100%	Trading of computer parts
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories and computers
Zotac Holdings Limited (previously known as "Zotac International Limited" and "PC Partner International Limited")	BVI 10 July 2003	Hong Kong	US$20,000,000 (note iii)	–	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 (Macao Commercial Offshore) Limited	Macau 20 September 2006	Macau	MOP100,000	–	100%	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	–	100%	Trading of computer accessories and computers
Zotac USA Inc. (Nevada)	United States of America (USA) 9 October 2007	USA	US$200,000	–	100%	Trading of computer accessories and computers
東莞栢能電子科技有限公司 (note i)	PRC 10 July 2009	PRC	US$21,298,265	–	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%	Subcontracting and trading of computer accessories
Zotac Europe GmbH	Germany 25 September 2012	Germany	EUR25,000	–	100%	Provision of technical support service
PC Vision Limited	Hong Kong 14 June 2013	Hong Kong	HK$6,500,000	–	96.4%	Design and sale of computer accessories
PC Partner Wealth Investment Limited	Hong Kong 12 August 2013	Hong Kong	HK$20,000,000	–	100%	Trading of computers and computer parts
VRSense Solutions Ltd	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
Skyield Limited	BVI 2 January 2001	Hong Kong	US$1	–	100%	Investment holding
Zotac Technology Limited	Hong Kong 20 July 2005	Hong Kong	HK$150,000,000 (note iv)	–	100%	Trading of computer accessories and computer
Max Profit Limited	BVI 23 March 1998	Hong Kong	US$1	–	100%	Investment holding
卓能(東莞)數碼技術有限公司 (note i)	PRC 11 December 2017	PRC	RMB1,000,000 (note ii)	–	100%	Trading of computer accessories and computer
Zotac International Limited	Hong Kong 30 October 2017	Hong Kong	HK$1 (note v)	–	100%	Investment holding
Innopartner Pte. Limited	Singapore 28 Aug 2017	Singapore	SGD250,000	–	80%	Research and development of new products

Notes to the Consolidated Financial Statements

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36. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Notes:

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

(ii) As at 31 December 2017, the registered capital amounted to RMB1,000,000 and was subsequently paid up on 19 January 2018.

(iii) As at 31 December 2017, registered capital of US$1 was paid up. On 7 February 2018, additional registered capital of US$19,999,999 was paid up.

(iv) As at 31 December 2017, registered capital of HK$1 was paid up. On 9 February 2018, additional registered capital of HK$149,999,999 was paid up.

(v) Up to the date of this annual report, the registered capital is not yet paid up.

* 東莞市天沛電子科技有限公司 was deregistered on 21 September 2016.

37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investment in a subsidiary	**532,690**	530,877
Current assets		
Prepayments and other receivables	**225**	283
Amounts due from subsidiaries	**182,846**	134,551
Cash and cash equivalents	**31,662**	48,427
Total current assets	**214,733**	183,261
Current liabilities		
Accruals	**34,472**	21,035
Amount due to a subsidiary	**—**	2,024
Total current liabilities	**34,472**	23,059
Net current assets	**180,261**	160,202
NET ASSETS	**712,951**	691,079
Capital and reserves		
Share capital	**44,484**	42,939
Reserves (note)	**668,467**	648,140
TOTAL EQUITY	**712,951**	691,079

On behalf of the Board

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

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For the year ended 31 December 2017

37. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (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$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	119,331	495,778	14,867	1,882	631,858
Shares issued under share option scheme	22,755	—	(6,605)	—	16,150
Profit for the year	—	—	—	11,681	11,681
Dividend paid (note 14)	—	—	—	(14,613)	(14,613)
Equity settled share-based transactions (note 28)	—	—	3,064	—	3,064
Lapse of share options	—	—	(7,223)	7,223	—
At 31 December 2016 and 1 January 2017	142,086	495,778	4,103	6,173	648,140
Shares issued under share option scheme	20,371	—	(5,076)	—	15,295
Profit for the year	—	—	—	82,987	82,987
Dividend paid (note 14)	—	—	—	(80,715)	(80,715)
Equity settled share-based transactions (note 28)	—	—	2,760	—	2,760
Lapse of share options	—	—	(1,142)	1,142	—
At 31 December 2017	162,457	495,778	645	9,587	668,467

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.

38. COMPARATIVE FIGURES

Certain comparative figures of immaterial amounts have been adjusted to conform with changes in presentation in the current year.

39. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2018.

3. INDEBTEDNESS STATEMENT

(a) Borrowings

As at the close of business on 31 March 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of HK$1,852,321,288.

(b) Contingent liabilities

As at the close of business on 31 March 2018, the Group did not have any contingent liabilities.

Save as disclosed above, the Group did not have outstanding indebtedness as at the close of business on 31 March 2018 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(a) As disclosed in the Announcement, the Company entered into the Share Buy-back Agreement with the Vendors pursuant to which the Vendors have agreed to sell, and the Company has agreed to repurchase for cancellation, a total of 74,700,000 Buy-back Shares at the total consideration of HK$373.50 million, equivalent to HK$5.00 per Buy-back Share. Each of the Vendors is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. The entire issued share capital of each of the Vendors is beneficially owned by Mrs. Ho, who is a non-executive Director.

(b) Riding on the continued growth in orders and average selling price of the Company's products, revenue of the Group in first quarter of 2018 continued to grow compared to the last quarter of 2017 and was substantially above that was reported in the same period in 2017. Net profit margin for the first quarter of 2018 has substantially increased from that of last quarter of 2017 due to the continued increase in average selling price of graphic cards and decrease in cost of sales and selling & distribution expenses.

5. FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in design, manufacturing and trading of personal computer related products and components, such as video graphics cards for desktop personal computers and mini-PC with its operation based in the PRC.

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

The Group provides electronics manufacturing services ("**EMS**") to globally recognized brands, including major providers of automatic teller machines and point-of-sales systems, storage devices, wearable fitness devices, etc.. Aside from video graphics cards and EMS business, the Group manufactures and sells other PC related products such as mini-PCs, motherboards and further derives revenue from trading products and components.

Computer gaming is one of the largest entertainment industries in the world. The growing popularity of eSports, new computer games, and advance of new technologies like virtual reality and mixed reality will drive a further growth on gaming hardware. The Group will continue its investment on its branding business, especially on ZOTAC, with more new gaming products and participation in more eSports events across different regions and countries in order to promote the brand. The Group will further develop its ZOTAC CUP, an emerging on-line gaming competition platform, so as to let more gamers enjoy playing games on its gaming platform as well as increase the market recognition of ZOTAC brand.

The Group's OEM business has achieved a substantial growth in 2017, which was mainly contributed by a strong demand on video graphics cards from blockchain application and platform. Orders on blockchain application and platform will be very likely to continue to represent a certain portion of the Group's revenue on top of the revenue from its existing OEM business in future.

The Group will continue to invest on talents to come up with more innovative product ideas and designs in order to enhance its competitiveness and to invest into automation in its manufacturing plants in order to assure the operation to be cost effective and meeting the market demand. The Group will also continue to delegate resources on environmental, social and corporate responsibilities in the operating locations in order to strive for its best to protect the environment and fulfill its social and corporate responsibilities.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The following is an illustrative unaudited pro forma consolidated statement of financial position of the Group (the "Unaudited Pro Forma Financial Information") which has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2017 as set out in the Company's published annual report for the year ended 31 December 2017, after making pro forma adjustments as set out in the notes below.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Buy-back as if it had taken place on 31 December 2017. It has been prepared on the basis of the notes set out below and is consistent with the accounting policies adopted by the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Share Buy-back been completed as at 31 December 2017 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the published annual report of the Company for the year ended 31 December 2017 and other financial information included elsewhere in this circular.

Unaudited Pro Forma Financial Information of the Group

	Audited consolidated statement of financial position of the Group as at 31 December 2017	Pro forma adjustment (i)	Pro forma adjustment (ii)		Unaudited pro forma consolidated statement of financial position of the Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	58,728				58,728
Intangible assets	5,915				5,915
Other financial assets	36,612				36,612
Deferred tax assets	6,445				6,445
Total non-current assets	**107,700**				**107,700**
Current assets					
Inventories	1,349,456				1,349,456
Trade and other receivables	1,186,246				1,186,246
Amount due from a related party	1,762				1,762
Cash and bank balances	1,453,815	(375,200)			1,078,615
Total current assets	**3,991,279**				**3,616,079**
Total assets	**4,098,979**				**3,723,779**
Current liabilities					
Trade and other payables	1,487,961				1,487,961
Borrowings	1,350,956				1,350,956
Provisions	28,576				28,576
Obligations under finance leases	18				18
Current tax liabilities	23,361				23,361
Total current liabilities	**2,890,872**				**2,890,872**
Net current assets	**1,100,407**				**725,207**
Total assets less current liabilities	**1,208,107**				**832,907**
Non-current liabilities					
Obligations under finance leases	67				67
NET ASSETS	**1,208,040**				**832,840**
Capital and reserves					
Share capital	44,484		(7,470)	(a)	37,014
Reserves	1,163,669	(1,700)	(366,030)	(b)	795,939
			(7,470)	(c)	
			7,470	(c)	
Equity attributable to owners of the Company	1,208,153				832,953
Non-controlling interests	**(113)**				**(113)**
TOTAL EQUITY	**1,208,040**				**832,840**

Pro forma adjustments:

(i) to reflect the consideration payable for the buy-back of 74,700,000 Shares at the price of HK$5.00 per share payable in cash of HK$373,500,000 and the estimated expenses of HK$1,700,000 directly attributable to the Share Buy-back. The expenses include legal fee, financial advisory fee and other professional fee, which are incurred for an equity transaction and are accounted for as a reduction from equity;

(ii) to reflect the cancellation of the Buy-back Shares by;

(a) reducing share capital by the nominal value of the Buy-back Shares of HK$7,470,000;

(b) reducing retained profits by the premium paid for the Buy-back Shares, being the total consideration of HK$373,500,000 over the nominal value of the Buy-back Shares of HK$7,470,000; and

(c) transferring an equivalent amount of the nominal value of the Buy-back Shares from retained profits to capital redemption reserve in accordance with the Companies Law (as revised) of the Cayman Islands.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the Company's independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF PC PARTNER GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of PC Partner Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2017 and related notes as set out on pages 118 to 120 of the circular issued by the Company dated 23 May 2018 (the "**Circular**") in connection with the proposed off-market share buy-back of 74,700,000 shares of the Company at the price of HK$5.00 per share and cancellation of the buy-back shares (the "**Share Buy-back**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 118 to 120 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Share Buy-back on the Group's financial position as at 31 December 2017 as if the Share Buy-back had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's annual report for the year ended 31 December 2017, on which an auditor's report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Share Buy-back at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

23 May 2018

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Authorised and issued capital

The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back is illustrated below:

(a) As at the Latest Practicable Date

	HK$
Authorised	
1,000,000,000 Shares	100,000,000.00
Issued and fully paid	
446,193,668 Shares	44,619,366.80

(b) immediately after completion of the Share Buy-back assuming that no further Shares will be issued or bought back by the Company prior to completion of the Share Buy-back

		HK$
Authorised		
1,000,000,000 Shares		100,000,000.00
Issued and fully paid		HK$
446,193,668 Shares		44,619,366.80
(74,700,000) Shares	to be bought back under the Share Buy-back	(7,470,000.00)
371,493,668 Shares	upon completion of the Share Buy-back	37,149,366.80

All of the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

A total of 1,350,000 Shares had been issued and no Shares had been bought-back by the Company since 31 December 2017, being the date on which the latest audited financial statements of the Group were made up, up to the Latest Practicable Date. Further, no Shares had been bought-back by the Company during the period of 12 months immediately preceding the Latest Practicable Date.

Date of issue	Number of Shares issued	Issue price per Share *(HK$)*	Proceeds received by the Company *(HK$)*
31 October 2016	9,720,000	1.46	14,191,200
3 November 2016	955,000	1.46	1,394,300
11 November 2016	25,000	1.46	36,500
16 November 2016	200,000	1.46	292,000
2 December 2016	875,000	1.46	1,277,500
12 December 2016	100,000	1.46	146,000
30 March 2017	750,000	1.09	817,500
31 March 2017	975,000	1.09	1,062,750
6 April 2017	1,500,000	1.09	1,635,000
10 April 2017	450,000	1.09	490,500
5 May 2017	300,000	1.09	327,000
8 May 2017	600,000	1.09	654,000
11 May 2017	600,000	1.09	654,000
26 May 2017	1,950,000	1.09	2,125,500
29 May 2017	600,000	1.09	654,000
28 June 2017	450,000	1.09	490,500
29 August 2017	300,000	1.09	327,000
30 August 2017	1,200,000	1.09	1,308,000
31 August 2017	1,500,000	1.09	1,635,000
4 September 2017	2,475,000	1.09	2,697,750
6 September 2017	750,000	1.09	817,500
11 September 2017	450,000	1.09	490,500
18 September 2017	600,000	1.09	654,000
5 January 2018	300,000	1.09	327,000
8 January 2018	750,000	1.09	817,500
29 March 2018	300,000	1.09	327,000

Save as disclosed above, there has been no issue of Shares of the class of the Buy-back Shares during the 2-year period immediately preceding 23 April 2018, being the date of the Announcement.

There was no re-organisation of capital of the Company during the two financial years preceding the date of the Announcement.

As at the Latest Practicable Date, save for the Outstanding Share Options, the Company had no outstanding options, convertible securities, options, warrants or derivatives in issue which confer any right to subscribe for, convert or exchange into Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

3. DIVIDENDS

The frequency and amount of dividends that have been proposed or paid out by the Company to the Shareholders, including the Vendors (being holders of the Buy-back Shares), during the 2-year period immediately preceding the Latest Practicable Date, are as follows:

	2015	**2016**	**2017**
	HK$ per Share	*HK$ per Share*	*HK$ per Share*
Interim dividend	—	0.035	0.04
Final dividend	—	0.108	0.28 *(Note)*
Special dividend	—	0.036	—

Note: The Board resolved at a meeting held on 28 March 2018 to propose a final dividend of HK$0.28 per Share for the year ended 31 December 2017 for the Shareholders to consider and, if thought fit, approve at the annual general meeting of the Company to be held on 22 June 2018.

The Company's ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

4. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the Latest Practicable Date, (ii) on the date of the Announcement, and (iii) on the Latest Practicable Date:

Date	**Closing price per Share** *HK$*
30 November 2017	3.38
29 December 2017	3.65
31 January 2018	6.52
28 February 2018	6.28
29 March 2018	5.62
23 April 2018 (the date of the Announcement)	5.07
30 April 2018	5.32
18 May 2018 (the Latest Practicable Date)	6.24

The lowest and highest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK$3.32 on 6 December 2017 and HK$7.11 on 30 January 2018 respectively.

5. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interest or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules were as follows:

Long positions in Shares

Director	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mrs. HO WONG Mary Mee-Tak	Interest in controlled corporation *(Note)*	129,550,000	29.03%
Mr. WONG Shik Ho Tony	Beneficial Owner	54,405,750	12.20%
Mr. WONG Fong Pak	Beneficial Owner	28,265,750	6.33%
Mr. LEUNG Wah Kan	Beneficial Owner	23,500,500	5.27%
Mr. HO Nai Nap	Beneficial Owner	20,784,538	4.66%
Mr. MAN Wai Hung	Beneficial Owner	5,577,065	1.25%

Note: These 129,550,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 74,700,000 Shares by Perfect Choice Limited. As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in these 129,550,000 Shares under the SFO.

Long positions in Share Options of the Company

Director	Date of grant	Number of underlying Shares	Approximate percentage of the issued share capital of the Company
Mr. LEUNG Wah Kan	26 August 2016	600,000	0.13%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be disclosed pursuant to the Share Buy-backs Code; or (iv) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the shares and underlying shares

Name	Nature of interest	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Perfect Choice Limited *(Note)*	Beneficial owner	74,700,000	16.74%
Classic Venture International Inc. *(Note)*	Beneficial owner	54,850,000	12.29%
Mr. WONG Shik Ho Tony	Beneficial owner	54,405,750	12.20%
Mr. WONG Fong Pak	Beneficial owner	28,265,750	6.33%
Mr. LEUNG Wah Kan	Beneficial owner	24,100,500	5.40%

Note: As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 129,550,000 Shares in aggregate held by Classic Venture International Inc. and Perfect Choice Limited under the SFO.

Persons interested in 10% or more of other members of the Group

Name	Member of the Group	Number of issued shares held in the member of the Group	Percentage shareholding in the member of the Group
Techbridge Ventures Pte Ltd	Innopartner Pte. Ltd.	110,000 shares of one Singapore dollar each	20%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the issued voting shares of any other member of the Group or any options in respect of such capital.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had service contract with the Company or any or its subsidiaries (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, save for the Buy-back Shares to be acquired by the Company from the Vendors in which Mrs. Ho (a non-executive Director) is materially interested, none of the Directors had any interest in any assets which had been since 31 December 2017, acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, save for the Share Buy-back Agreement in which Mrs. Ho (a non-executive Director) is materially interested, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

9. ADDITIONAL DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, there was no irrevocable commitment received by the Vendors Concert Group or the Company and persons acting in concert with it to vote for or against the resolution approving the Share Buy-back Agreement and the transactions contemplated thereunder.

(b) During the Relevant Period, there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which any member of the Vendors Concert Group had borrowed or lent.

(c) During the Relevant Period, there had been no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Company, any Director or any person acting in concert with any Director had borrowed or lent.

(d) Save as disclosed in the paragraphs headed "Directors' Interests" and "Dealings" in this appendix, the Vendors Concert Group, the Directors and any person acting in concert with the Directors did not have any shares, convertible securities, warrants, options or other derivatives of the Company as at the Latest Practicable Date and none of the Vendors Concert Group, the Directors and any person acting in concert with the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.

(e) As at the Latest Practicable Date, no person had irrevocably committed himself/herself/itself to vote for or against the resolution to be proposed at the EGM.

(f) Each of the Directors is a member of the Vendors Concert Group and is therefore required to abstain from voting at the EGM as required under the Share Buy-backs Code and the Listing Rules.

(g) As at the Latest Practicable Date, save for the Outstanding Share Options, there was no outstanding derivatives in respect of securities in the Company entered into by any member of the Vendors Concert Group.

(h) As at the Latest Practicable Date, save for (i) the 262,083,603 Shares owned by the Vendors Concert Group whose particulars are disclosed in the paragraph headed "Effects on shareholding structure of the Company" in the section headed "Letter from the Board" in this circular and (ii) the Outstanding Share Options, none of the members of the Vendors Concert Group owned or had control or direction over any voting rights or rights over the Shares or options, derivatives or warrants or other securities convertible into Shares.

(i) As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of any member of the Vendors Concert Group and which might be material to the Share Buy-back.

(j) As at the Latest Practicable Date, there was no other agreement or arrangement to which any member of the Vendors Concert Group, the Company or any person acting in concert with the Company is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Buy-back Agreement.

10. LITIGATION

On 29 December 2017, ZiiLabs Inc., Ltd ("**ZiiLabs**"), a Bermuda corporation, filed a complaint with the United States International Trade Commission ("**Commission**") against two wholly-owned subsidiaries of the Company, namely, Zotac International (Macao Commercial Offshore) Limited and Zotac USA, Inc. (collectively "**Zotac**"), Zotac's graphics processing unit ("**GPU**") supplier Nvidia Corporation ("**Nvidia**") and others (collectively, "**Respondents**") for an infringement of ZiiLabs's US patents ("**Patents**") by the Respondents' graphics processors and/or products containing the same ("**Complaint**"). The Patents are generally related to graphics rendering technology and GPU architectures.

Upon ZiiLabs' request, the Commission has commenced an investigation as to the Complaint ("**Investigation**"). Certain of Nvidia's graphics cards and GPU products are being accused of infringing the Patents and Zotac is also under the Investigation because certain Zotac products contain the said GPU. Zotac denied that there was any infringement of the Patents. Zotac has appointed US lawyers to handle the Investigation and has already filed a response to the Complaint as per the Commission's request. It was determined by the Commission that the Investigation will be completed on 9 September 2019.

Based on the aforesaid patent infringement allegations, ZiiLabs requested the Commission to grant reliefs against the Respondents, including a limited exclusion order prohibiting an importation of the alleged Patent infringing products. There was no claim of damages by ZiiLabs and no provision has been made in the consolidated financial statements of the Company.

The Complaint was made mainly against Nvidia for its alleged infringement of the Patents related to graphics rendering technology and GPU architectures. The reason for ZiiLabs to join Zotac as Respondents is that the video graphics cards and Mini-PCs imported into the United States for the United States and the Latin American markets (the "**Relevant Markets**") by Zotac contain the GPUs in question. If ZiiLabs succeeds in the Complaint and Zotac is ruled liable to pay damages to ZiiLabs, Zotac believes that they have good prospects of either being indemnified by Nvidia or otherwise recovering from Nvidia the damages paid by Zotac.

In addition, for the year ended 31 December 2017, the total sales revenue attributable to the Relevant Markets amounts to approximately HK$699,593,000. As a percentage of the total revenue of the Group for that year of approximately HK$8,555,368,000, the revenue attributable to the Relevant Markets represents only about 8.18%. Furthermore, the scope of the products imported into the United States by Zotac is subject to dispute. Zotac's US lawyers opine that the Investigation should be limited to certain (but not all) of those products imported into the United States during the relevant period of time.

As the Investigation is at an early stage, there is insufficient information to assess outcome of the Complaint. However, based on the above, the management of the Company is of the view that its impact on the Group's revenue will be immaterial but would implement measures to reduce any negative impact on the Group.

Save as disclosed above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

11. MATERIAL CONTRACT

Save for the agreement set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

(a) the Share Buy-back Agreement.

12. DEALINGS

Date	Name	Description of Event	Number of Shares involved	Average Price (per Share) *HK$*
8 January 2018	Perfect Choice Limited *(Note)*	on market sale of Shares	500,000	4.39
26 January 2018	WONG Shik Ho Tony	on market sale of Shares	500,000	6.5
26 January 2018	WONG Fong Pak	on market sale of Shares	500,000	6.48
26 January 2018	HO Nai Nap	on market sale of Shares	1,000,000	6.525

Note: The entire issued share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak.

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who has given opinion or advice which is contained in this circular:

Name	Qualifications
Odysseus Capital Asia Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants

Each of Odysseus Capital Asia Limited and BDO Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

Each of Odysseus Capital Asia Limited and BDO Limited does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Odysseus Capital Asia Limited and BDO Limited does not have any direct or indirect interests in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

14. MISCELLANEOUS

(a) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is located at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong.

(c) The business office of Odysseus Capital Asia Limited is situated at Suite 7B, Wyndham Place, 40–44 Wyndham Street, Central, Hong Kong.

(d) The business office of BDO Limited is situated at 25th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong.

(e) The branch share registrar and share transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, situated at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The registered office of Perfect Choice Limited is situated at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands. The registered office of Classic Venture International Inc. is situated at 263 Main Street, Road Town, Tortola, British Virgin Islands.

(g) The company secretary of the Company is Ms. Leung Sau Fong, who is a director of a corporate secretarial services provider.

(h) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the office of the Company at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays; (ii) on the websites of the Company (www.pcpartner.com); and (iii) the website of the SFC (www.sfc.hk) in the period from the date of this circular up to and including the date of the EGM.

(a) the articles of association of the Company;

(b) the articles of association of Perfect Choice;

(c) the articles of association of Classic Venture;

(d) the annual reports of the Company for the two years ended 31 December 2016 and 2017;

(e) the material contract (including the Share Buy-back Agreement) as referred to in the paragraph headed "Material Contract" in this appendix;

(f) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(g) the letter from the Board, the text of which is set out from pages 5 to 15 of this circular;

(h) the letter from the Independent Board Committee, the text of which is set out on pages 16 to 17 of this circular;

(i) the letter from the Independent Financial Adviser, the text of which is set out on pages 18 to 38 of this circular;

(j) the report from BDO Limited in respect of the unaudited pro forma financial information of the Group, the text of which is set out in appendix II of this circular; and

(k) this circular.

PC PARTNER GROUP LIMITED
栢 能 集 團 有 限 公 司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of PC Partner Group Limited (the "**Company**") will be held on Friday, 22 June 2018 at 3:00 p.m. or immediately after the conclusion of the annual general meeting of the Company to be held on the same day at 2:30 p.m. (details of which are set out in the circular of the Company dated 30 April 2018) at Lobby Floor, Salon II & III, Hyatt Regency Hong Kong, Shatin, 18 Chak Cheung Street, Shatin, New Territories, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolution as special resolution of the Company:

SPECIAL RESOLUTION

"**THAT**:

(a) the share repurchase agreement dated 23 April 2018 (the "**Share Buy-back Agreement**") entered into between Perfect Choice Limited and Classic Venture International Inc. (the "**Vendors**") and the Company in relation to the proposed buy-back (the "**Share Buy-back**") of 74,700,000 ordinary shares of par value HK$0.10 each (the "**Buy-back Shares**") in the issued share capital of the Company by the Company from the Vendor at the proposed total consideration of HK$373,500,000.00 (a copy of which is marked "A" and produced to the meeting and signed by the chairman of the meeting for identification purpose) be and is hereby approved;

(b) the Share Buy-back and the transactions contemplated under the Share Buy-back Agreement be and are hereby approved; and

* *For identification purpose only*

(c) the directors of the Company be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Share Buy-back Agreement and the transactions contemplated thereunder (including but not limited to the cancellation of the Buy-back Shares)."

By the order of the board of directors of
PC Partner Group Limited
WONG Shik Ho Tony
Chairman

Hong Kong, 23 May 2018

Notes:

1. A member of the Company (a "**Shareholder**") entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

3. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 19 June 2018 to Friday, 22 June 2018 (both days inclusive), during which time no transfer of shares will be effected. To ensure that Shareholders are entitled to attend and vote at the EGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 15 June 2018 for registration of the relevant transfer.

As at the date of this notice, the Executive Directors are Mr. WONG Shik Ho Tony, Mr. WONG Fong Pak, Mr. LEUNG Wah Kan, Mr. HO Nai Nap, Mr. MAN Wai Hung; the Non-executive Director is Mrs. HO WONG Mary Mee-Tak (Mr. CHIU Wing Yui is Alternate Director to Mrs. HO WONG Mary Mee-Tak); and the Independent Non-executive Directors are Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung.