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PC PARTNER GROUP LIMITED
栢能集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Period ended 30 June		
	2017	2016	Change
	HK$ million	*HK$ million*	
Revenue	**2,971.8**	2,498.5	+18.9%
Gross profit	**245.9**	232.3	+5.8%
Profit for the period attributable to owners of the Company	**43.7**	36.5	+19.7%
Gross profit %	**8.3%**	9.3%	–10.8%
Net profit %	**1.5%**	1.5%	—

The board of directors (the "Board") of PC Partner Group Limited (the "Company") is pleased to announce the unaudited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK$'000 (Unaudited)	31 December 2016 HK$'000
Non-current assets			
Property, plant and equipment		**51,481**	55,315
Intangible assets		**5,987**	6,130
Other financial assets		**20,992**	20,992
Deferred tax assets		**2,414**	2,414
Total non-current assets		**80,874**	84,851
Current assets			
Inventories		**1,270,057**	1,281,467
Trade and other receivables	11	**926,335**	748,177
Current tax recoverable		**64**	22
Pledged time deposits		**453**	450
Cash and cash equivalents		**979,738**	789,839
Total current assets		**3,176,647**	2,819,955
Total assets		**3,257,521**	2,904,806
Current liabilities			
Trade and other payables	12	**1,191,104**	961,437
Borrowings		**1,124,022**	987,555
Provisions		**7,435**	12,883
Obligations under finance leases		**16**	16
Current tax liabilities		**8,730**	9,646
Total current liabilities		**2,331,307**	1,971,537
Net current assets		**845,340**	848,418
Total assets less current liabilities		**926,214**	933,269
Non-current liabilities			
Obligations under finance leases		**27**	35
Deferred tax liabilities		**40**	40
Total non-current liabilities		**67**	75
NET ASSETS		**926,147**	933,194
Capital and reserves			
Share capital		**43,757**	42,939
Reserves		**882,621**	890,431
Equity attributable to owners of the Company		**926,378**	933,370
Non-controlling interests		**(231)**	(176)
TOTAL EQUITY		**926,147**	933,194

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2016 (the "Annual Financial Statements"), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations ("new HKFRSs") issued by HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2017. The adoption of the new HKFRSs had no material changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

3. REVENUE

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

4. SEGMENT REPORTING

(a) Reportable segments

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

(b) Geographical information

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

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

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

(c) Revenue from major products and services

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

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

(d) Revenue from brand and non-brand businesses

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

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

(e) Information about major customers

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

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

Notes:

(i) Revenue from this customer was derived from sales of video graphics cards and solid state drivers in the PRC.

(ii) Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue in 2017 did not contribute 10% or more of the Group's revenue.

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

7. PROFIT BEFORE INCOME TAX

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

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

Notes:

(a) Amortisation of intangible assets of HK$143,000 (2016: HK$143,000) is included in "Administrative expenses" in the condensed consolidated statement of comprehensive income.

(b) Research and development expenditure for the period represents depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

8. INCOME TAX EXPENSE

The amounts of income tax expense in the condensed consolidated statement of comprehensive income represents:

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

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

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

Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the six months ended 30 June 2017. A significant subsidiary of the Company, PC Partner Limited, is exempted from Hong Kong profit tax in respect of 50% of all of its manufacturing profits which is as offshore in nature under Departmental Interpretation and Practice Notes No. 21 issued by the Inland Revenue Department of Hong Kong.

The Company's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during 2012 and the applicable PRC enterprise income tax rate for the six months ended 30 June 2017 is 15% (2016: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2016: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2017.

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

9. DIVIDENDS

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

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

10. EARNINGS PER SHARE

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

Profit

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

Number of shares

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

The computation of diluted earnings per share for the six months ended 30 June 2016 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of shares.

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

Receivables that were past due but not impaired related to a number of independent customers that have a good track record. Based on past experience, the directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE AND OTHER PAYABLES

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

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2017 (Tuesday) to 14 September 2017 (Thursday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 11 September 2017 (Monday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

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

Business Performance

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

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

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

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

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

APAC Region

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

EMEAI Region

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

NALA Region

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

PRC Region

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

Business Compliance

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

Principal Risks and Uncertainties

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

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

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

Outlook

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

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

Financial Review

Revenue

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

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

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

Gross Profit and Margin

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

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

Profit for the Period

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

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

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

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

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

Profit Attributable to Shareholders and Dividends

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

Liquidity and Financial Resources

Shareholders' Funds

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

Financial Position

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

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

Exposure to Fluctuation in Exchange Rates

As at 30 June 2017, the Group was exposed to currency risk primarily through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korean Won. The Group did not enter into any foreign exchange forward contract during the period.

Working Capital

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

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

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

Charge on Assets

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

Capital Expenditure

The Group spent HK$3.4 million on capital expenditure in the first half of 2017. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments and Contingent Liabilities

As at 30 June 2017, total capital commitments amounted to HK$3.7 million, and there was no material contingent liability or off balance sheet obligation.

Significant Acquisitions and Disposals of Investments

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

Future Plans for Material Investments or Capital Assets

The Group had no plan for material investments or acquisitions of capital assets as at 30 June 2017, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK$1.6 per offer share was HK$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK$46.0 million for expansion production capacity, HK$24.0 million for promotion and development of new products and brand name, HK$24.0 million for research and development, HK$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and HK$10.0 million for the Group's working capital and general corporate purposes. As at 30 June 2017, the Group has applied HK$41.0 million on expansion of production facilities, HK$24.0 million on promotion and development of new products and brand name, HK$24.0 million on research and development, HK$5.0 million on ERP system upgrade project, and HK$10.0 million for the Group's working capital and general corporate purposes.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 3,376 employees (2016: 2,889 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance related bonuses may also be awarded to employees. The Company has adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group. Subsequently, the Company has also adopted 2016 Share Option Scheme on 17 June 2016.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the required standard for securities transactions by Directors. All directors, after specific enquiries made by the Company, confirmed that they have complied with the required standards set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2017, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and balance management organisation that enables the Group to operate effectively. The Board currently comprises of five executive Directors, one non-executive Director and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") www.hkex.com.hk and on the Company's website at www.pcpartner.com. The 2017 Interim Report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

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

Hong Kong, 28 August 2017

As at the date of this announcement, the executive Directors of the Company are Mr. WONG Shik Ho Tony, Mr. WONG Fong Pak, Mr. LEUNG Wah Kan, Mr. HO Nai Nap and Mr. MAN Wai Hung; the non-executive Director is Mrs. HO WONG Mary Mee-Tak (Mr. CHIU Wing Yui is an 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.

* *For identification purposes only*