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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 2016**

FINANCIAL HIGHLIGHTS

	Period ended 30 June		Change
	2016	2015	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Turnover	2,498.5	2,075.6	+20.4%
Gross profit	232.3	172.5	+34.7%
Profit/(loss) for the period	36.5	(28.0)	+230.3%
Gross profit %	9.3%	8.3%	+1.0%
Net profit/(loss) %	1.5%	(1.3%)	+2.8%

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 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000
Non-current assets			
Property, plant and equipment		40,670	49,185
Intangible assets		6,274	6,417
Other financial assets		20,992	20,992
Deferred tax assets		1,452	1,452
Total non-current assets		<u>69,388</u>	<u>78,046</u>
Current assets			
Inventories		708,973	802,205
Trade and other receivables	11	612,131	634,027
Current tax recoverable		199	1,348
Pledged time deposits		450	426
Cash and cash equivalents		739,527	789,783
Total current assets		<u>2,061,280</u>	<u>2,227,789</u>
Total assets		<u>2,130,668</u>	<u>2,305,835</u>
Current liabilities			
Trade and other payables	12	660,308	712,842
Borrowings		642,487	800,407
Provisions		7,994	3,965
Obligations under finance leases		16	16
Derivative financial liabilities		—	8,245
Current tax liabilities		5,314	2,703
Total current liabilities		<u>1,316,119</u>	<u>1,528,178</u>
Net current assets		<u>745,161</u>	<u>699,611</u>
Total assets less current liabilities		<u>814,549</u>	<u>777,657</u>
Non-current liabilities			
Obligations under finance leases		43	51
Deferred tax liabilities		63	63
Total non-current liabilities		<u>106</u>	<u>114</u>
NET ASSETS		<u>814,443</u>	<u>777,543</u>
Capital and reserves			
Share capital		41,752	41,752
Reserves		772,802	735,840
Equity attributable to owners of the Company		814,554	777,592
Non-controlling interests		<u>(111)</u>	<u>(49)</u>
TOTAL EQUITY		<u>814,443</u>	<u>777,543</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2016 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2015 (the “Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2016. The adoption of the new HKFRSs had no material changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

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

3. TURNOVER

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

4. SEGMENT REPORTING

(a) Reportable segments

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

(b) Geographical information

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

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

(c) Revenue from major products and services

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

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

(d) Information about major customers

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

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

Notes:

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

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

7. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

Notes:

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

- (c) The research and development expenditure for the period includes HK\$20,993,000 (2015: HK\$20,090,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

8. INCOME TAX EXPENSE/(CREDIT)

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

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

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

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

Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the six months ended 30 June 2016. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during 2012 and the applicable PRC enterprise income tax rate is 15% (2015: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2015: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2016.

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

9. DIVIDEND

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

The directors proposed an interim dividend of HK\$0.035 (2015: HK\$Nil) per share, totalling HK\$14,613,000 (2015: HK\$Nil) for the six months ended 30 June 2016. The proposed dividends are not reflected as a dividend payable in these condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

10. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss)

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

Number of shares

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

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2016 and 2015 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of shares.

11. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

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

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for providers of Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, healthcare products, Light Emitting Diode ("LED") modules and a number of other customers. Besides the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

Business Performance

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

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

APAC Region

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

EMEAI Region

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

NALA Region

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

PRC Region

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

Outlook

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

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

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

Financial Review

Revenue

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

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

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

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

Gross Profit and Margin

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

Profit/(Loss) for the Period

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

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

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

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

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

Profit Attributable to Shareholders and Dividends

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

Liquidity and Financial Resources

Shareholders' Funds

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

Financial Position

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

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

Exposure to Fluctuation in Exchange Rates

As at 30 June 2016, the Group exposed to currency risk primarily through sales and purchase that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korea Won. The Group managed certain of its exchange rate risk by entering into deliverable foreign exchange forward contract.

Working Capital

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

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

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

Charge on Assets

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

Capital Expenditure

For the six months ended 30 June 2016, the Group invested HK\$2.9 million in the purchase of property, plant and equipment. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments and Contingent Liabilities

As at 30 June 2016, total capital commitments amounted to HK\$0.1 million, and there was no material contingent liability or off balance sheet obligation.

Significant Acquisitions and Disposals of Investments

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

Future Plans for Material Investments or Capital Assets

The Group had no plan for material investments or acquisitions of capital assets as at 30 June 2016, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK\$1.6 per share was HK\$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK\$46.0 million for expansion production capacity, HK\$24.0 million for promotion and development of new products and brand name, HK\$24.0 million for research and development, HK\$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and

HK\$10.0 million for the Group's working capital and general corporate purposes. As at 30 June 2016, the Group has applied HK\$20.6 million on expansion of production facilities, HK\$24.0 million on promotion and development of new products and brand name, HK\$24.0 million on research and development, and HK\$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group had 2,612 employees (2015: 2,975 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance-related bonuses may also be awarded to the employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2016, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"), except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2016, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and balance management organisation that enables the Group to operate effectively. The Board currently comprises of five executive Directors, one non-executive Director and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016.

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 2016 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, 25 August 2016

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 alternative 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*