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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2015	2014	Change
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	4,754.1	4,895.2	-141.1
Gross Profit	415.2	479.0	-63.8
(Loss)/Profit for the year	(18.5)	51.3	-69.8
Gross Profit %	8.7%	9.8%	-1.1%
Net (Loss)/Profit %	(0.4)%	1.0%	-1.4%

The board of directors (the “Board”) of PC Partner Group Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Turnover	4,5	4,754,149	4,895,192
Cost of sales		(4,338,900)	(4,416,163)
Gross profit		415,249	479,029
Other revenue and other gains and losses	6	(29,840)	(8,058)
Selling and distribution expenses		(83,583)	(94,382)
Administrative expenses		(307,277)	(300,794)
Finance costs	7	(10,728)	(10,840)
(Loss)/profit before income tax	8	(16,179)	64,955
Income tax expense	9	(2,327)	(13,606)
(Loss)/profit for the year		(18,506)	51,349
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(1,220)	(587)
Total comprehensive income for the year		(19,726)	50,762
(Loss)/profit attributable to:			
— Owners of the Company		(18,460)	51,349
— Non-controlling interests		(46)	—
		(18,506)	51,349
Total comprehensive income attributable to:			
— Owners of the Company		(19,680)	50,762
— Non-controlling interests		(46)	—
		(19,726)	50,762
		<i>HK\$</i>	<i>HK\$</i>
(Loss)/earnings per share	11		
— Basic		(0.04)	0.12
— Diluted		(0.04)	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		49,185	41,160
Intangible assets		6,417	6,704
Other financial assets		20,992	20,992
Deferred tax assets		1,452	1,727
Total non-current assets		78,046	70,583
Current assets			
Inventories	<i>13</i>	802,205	889,798
Trade and other receivables	<i>12</i>	634,027	729,305
Current tax recoverable		1,348	1,420
Pledged time deposits		426	427
Cash and cash equivalents		789,783	709,080
Total current assets		2,227,789	2,330,030
Total assets		2,305,835	2,400,613
Current liabilities			
Trade and other payables	<i>14</i>	712,842	845,434
Borrowings	<i>15</i>	800,407	703,869
Provisions		3,965	4,823
Obligations under finance leases		16	15
Derivative financial liabilities		8,245	10,327
Current tax liabilities		2,703	16,479
Total current liabilities		1,528,178	1,580,947
Net current assets		699,611	749,083
Total assets less current liabilities		777,657	819,666
Non-current liabilities			
Obligations under finance leases		51	12
Derivative financial liabilities		—	3,830
Deferred tax liabilities		63	1
Total non-current liabilities		114	3,843
NET ASSETS		777,543	815,823
Capital and reserves			
Share capital	<i>16</i>	41,752	41,752
Reserves		735,840	774,071
Equity attributable to owners of the Company		777,592	815,823
Non-controlling interests		(49)	—
TOTAL EQUITY		777,543	815,823

Notes:

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. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries (referred to as the “Group”) are engaged in business of design and manufacturing of electronics and personal computer parts and accessories with its operation base in 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 2015

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 2015.

HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011–2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group’s financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Group’s operations, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure initiative ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group’s financial statements.

(c) New Hong Kong Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Hong Kong Companies Ordinance, Cap. 622, in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group’s financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and the related notes to the statement of financial position of the Company are generally no longer presented.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

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

(i) Turnover

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

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Asia Pacific (“APAC”)	2,029,566	2,246,238
North and Latin America (“NALA”)	634,249	747,366
People’s Republic of China (“PRC”)	1,333,631	1,081,486
Europe, Middle East, Africa and India (“EMEAI”)	756,703	820,102
	<u>4,754,149</u>	<u>4,895,192</u>

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

(ii) Specified non-current assets

An analysis of Group’s non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets (“specified non-current assets”) is as follows:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
APAC	9,081	9,043
NALA	25,614	90
PRC	20,882	38,685
EMEAI	25	46
	<u>55,602</u>	<u>47,864</u>

(c) Revenue from major products and services

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Video graphics cards	3,578,724	3,386,632
Electronics manufacturing services	760,701	964,827
Other PC related products and components	414,724	543,733
	<u>4,754,149</u>	<u>4,895,192</u>

(d) Information about the major customer

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A (<i>Note a</i>)	N/A	587,728
Customer B (<i>Note b</i>)	896,343	N/A
	<u>896,343</u>	<u>N/A</u>

Note:

- (a) 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.
- (b) Revenue from this customer was derived from sale of video graphics cards in the PRC. Its revenue in 2014 did not contribute 10% or more of the Group's revenue.

5. TURNOVER

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

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest income	3,033	2,788
Net exchange losses	(32,015)	(14,906)
Net fair value losses on derivative financial instruments	(6,583)	(13,029)
Gain on disposal of property, plant and equipment	55	9,697
Impairment on intangible assets	—	(281)
Sundry income	5,670	7,673
	<u>(29,840)</u>	<u>(8,058)</u>

7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank advances and other borrowings	<u>10,728</u>	<u>10,840</u>

8. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Inventories recognised as expense	4,323,772	4,413,731
Provision for obsolete inventories	<u>15,128</u>	<u>2,432</u>
Cost of sales	<u>4,338,900</u>	<u>4,416,163</u>
Staff costs	324,284	362,560
Auditor's remuneration	1,858	1,719
Depreciation of property, plant and equipment	24,588	32,351
Amortisation of intangible assets (<i>Note a</i>)	287	287
Impairment on intangible assets	—	281
Provision/(reversal of provision) for impairment losses on trade and other receivables	837	(1,941)
Operating lease payments on plant and machinery	231	239
Operating lease payments on premises	37,003	35,133
Property, plant and equipment written off	103	1
Provision for product warranties and returns, net	<u>1,727</u>	<u>2,629</u>
Research and development expenditure (<i>Note b</i>)	<u>41,999</u>	<u>38,776</u>

Notes:

- (a) Amortisation of intangible assets of 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\$41,999,000 (2014: HK\$38,776,000) 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.

9. INCOME TAX EXPENSE

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax — Hong Kong		
— provision for the year	256	9,179
— under/(over) provision in respect of prior year	1,267	(72)
Current tax — PRC		
— provision for the year	454	1,974
— (over)/under provision in respect of prior year	(510)	698
Current tax — others		
— provision for the year	586	1,808
— (over)/under provision in respect of prior year	(63)	35
	<u>1,990</u>	<u>13,622</u>
Deferred tax		
— origination and reversal of temporary differences	<u>337</u>	<u>(16)</u>
Income tax expense	<u><u>2,327</u></u>	<u><u>13,606</u></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 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% (2014: 16.5%) on the estimated assessable profits for the year ended 31 December 2015. 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 for the year is 15% (2014: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2014: 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 2015.

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 (loss)/profit before income tax per the consolidated statement of comprehensive income as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/profit before income tax	<u>(16,179)</u>	<u>64,955</u>
Tax on profit before income tax, calculated at Hong Kong profits tax rate	(2,669)	10,718
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,262)	(4,255)
Effect of tax exemption granted to a subsidiary	(1,306)	677
Tax effect of non-deductible/(non-taxable) net expenses/(income) relating to offshore operation	419	(7,595)
Tax effect of expenses not deductible for tax purposes	11,031	25,742
Tax effect of revenue not taxable for tax purposes	(10,219)	(12,797)
Tax effect of tax losses and deductible temporary differences not recognised	4,989	235
Utilisation of tax loss previously not recognised	(31)	—
Under provision in prior year	694	661
Tax rebate	(52)	(60)
Others	733	280
Income tax expense	<u>2,327</u>	<u>13,606</u>

- (c) As at the date of this announcement, the Group has disputes with the Hong Kong Inland Revenue Department (“IRD”) involving additional assessments as below:

Revised tax computations for years of assessment 2008/09 to 2014/15 regarding assessable profits claimed under Contract Processing Arrangement (“CPA”) with 50:50 apportionment and deduction claim of prescribed fixed assets

In prior years, the Company’s subsidiary, PC Partner Limited (“PCP”) had disputes with the IRD regarding PCP’s eligibility for claiming under CPA with 50:50 apportionment and deduction claim of prescribed fixed assets for manufacturing machinery or plant for the years of assessment 2008/09 to 2014/15.

On 13 November 2015, the IRD and PCP reached an agreement on the treatments of claiming under CPA with 50:50 apportionment and depreciation allowances. Based on these treatments, additional tax for the year of assessment 2008/09 amounting to approximately HK\$1,268,000 is charged to PCP, and PCP also submitted proposed revised tax computations for the years of assessment 2009/10 to 2014/15 to the IRD on 31 December 2015. The Board of Directors estimates there is no further tax for the years of assessment 2009/10 to 2014/15.

Up to the date of this announcement, no further reply is received from the IRD regarding the issue of proposed revised tax computations for the years of assessment 2009/10 to 2014/15.

10. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
2014 Final dividend paid — HK\$0.045 (2014: 2013 Final dividend — HK\$0.04) per share	<u>18,788</u>	<u>16,701</u>

The directors of the Company do not propose final dividend (2014: HK\$0.045 per share, totalling HK\$18,788,000) after the end of the reporting period.

11. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the years ended 31 December 2015 and 2014 is based on the (loss)/profit for the year and assuming the shares were in issue during the current and prior years, calculated as follows:

(Loss)/earnings

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss)/earnings for the purpose of basic and diluted earnings per share	<u>(18,460)</u>	<u>51,349</u>

Number of shares

	2015	2014
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	417,518,668	417,518,668
Effect of dilutive potential ordinary shares: — share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>417,518,668</u>	<u>417,518,668</u>

The computation of diluted (loss)/earnings per share for the year ended 31 December 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 for shares.

12. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	623,171	705,269
Less: Accumulated impairment losses	<u>(6,594)</u>	<u>(7,130)</u>
	616,577	698,139
Other receivables	4,300	15,437
Deposits and prepayments	<u>13,150</u>	<u>15,729</u>
	<u><u>634,027</u></u>	<u><u>729,305</u></u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	411,767	369,487
Over 1 month but within 3 months	153,345	293,507
Over 3 months but within 1 year	31,439	32,528
Over 1 year	<u>20,026</u>	<u>2,617</u>
	<u><u>616,577</u></u>	<u><u>698,139</u></u>

The credit period on sale of goods is 25 to 60 days (2014: 25 to 60 days) from the invoice date.

The ageing of trade receivables which are past due but not impaired are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	101,193	143,158
Over 1 month but within 3 months	26,419	36,192
Over 3 months but within 1 year	19,776	17,299
Over 1 year	<u>19,785</u>	<u>2,490</u>
	<u><u>167,173</u></u>	<u><u>199,139</u></u>

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 2015, the Group has held certain pledge of properties of these balances amounting to approximately HK\$19,424,000.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of year	7,130	9,912
Provision/(reversal of provision) of impairment loss recognised	837	(1,941)
Uncollectible amounts written off	(1,371)	(850)
Exchange difference	(2)	9
	<u>7,130</u>	<u>9,912</u>
At end of year	<u><u>6,594</u></u>	<u><u>7,130</u></u>

13. INVENTORIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Raw materials	415,226	491,651
Work-in-progress	22,134	30,801
Finished goods	402,204	406,393
	<u>839,564</u>	<u>928,845</u>
Less: Provision for obsolete inventories	(37,359)	(39,047)
	<u><u>802,205</u></u>	<u><u>889,798</u></u>

14. TRADE AND OTHER PAYABLE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	589,244	680,823
Other payables and accruals	123,598	164,611
	<u>712,842</u>	<u>845,434</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	395,437	373,535
Over 1 month but within 3 months	180,743	287,621
Over 3 months but within 1 year	9,499	16,683
Over 1 year	3,565	2,984
	<u>589,244</u>	<u>680,823</u>

15. BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Import loans — secured	786,136	679,709
Bank loans — secured	—	7,250
Discounted bills	14,271	16,910
	<u>800,407</u>	<u>703,869</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
On demand or within 1 year	<u>800,407</u>	<u>703,869</u>

16. SHARE CAPITAL

	2015		2014	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	<u>417,518,668</u>	<u>41,752</u>	417,518,668	41,752

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: HK4.5 cents per share).

ANNUAL GENERAL MEETING

The Annual General Meeting (the “AGM”) of the Company will be held on 17 June 2016 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2015 Annual Report in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 14 June 2016 (Tuesday) to 17 June 2016 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s share registrar, 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 June 2016 (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 Design Manufacturer/Original Equipment Manufacturing (“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 (“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 year under review.

The Group provides EMS to globally recognized brands, including major providers of Point-Of-Sales (“POS”) and Automatic Teller Machines (“ATM”) systems, fitness wearable devices and Light Emitting Diode (“LED”) modules. Aside from video graphics cards 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

The Group’s total revenue declined by HK\$141.1 million or 2.9%, from HK\$4,895.2 million in 2014 to HK\$4,754.1 million in 2015. This was mainly affected by the revenue for the Asia Pacific (“APAC”) region, the North and Latin America (“NALA”) region, and the Europe, Middle East, Africa and India (“EMEAI”) region with a total of HK\$393.2 million, which was partially offset by an increase on revenue of HK\$252.1 million in the People’s Republic of China (“PRC”) region.

APAC Region

APAC region recorded a revenue of HK\$2,029.6 million in 2015, HK\$216.6 million or 9.6% less over the same period of previous financial year. This result was mainly attributed to the slowdown of orders from ODM/OEM contract manufacturing customers. Although the growth on own brands businesses enabled the Group to partially offset the decline of orders from the ODM/OEM contract manufacturing customers, the regions affected by the strong U.S. dollar have dampened the demand of own brand products.

EMEI Region

A host of external factors, including the overall sluggish economy in Europe, and unresolved geopolitical tensions for Russia together with weak Euro in 2015 all played a role in the very challenging year for the EMEAI region. The region has recorded a decline on revenue by HK\$63.4 million or 7.7% over the same period of the previous financial year to HK\$756.7 million in 2015. While the Group recorded an increase on revenue of own brand business, a decrease of orders from EMS customers had been detrimental to the overall revenue.

NALA Region

NALA region recorded a revenue of HK\$634.2 million in 2015, which represented a decline of HK\$113.2 million or 15.1% over the same period of the previous financial year. It was mainly attributable to a slowdown in orders from EMS customers together with weaker demand on own brand business for the Latin American region due to depreciation on currencies in the Latin America countries.

PRC Region

PRC region recorded a growth of HK\$252.1 million or 23.3% over the same period of the previous financial year to HK\$1,333.6 million in 2015. The growth was mainly contributed by an increase on market share of own brands video graphics cards.

Outlook

Most global businesses today are facing rapidly changing operating environment where the outlook remains unpredictable. The volatile foreign currency markets and the slowdown of China's economy are expected to dent consumer confidence across the globe in the near future.

The Group will continue to expand its business footprint across the globe and focus its efforts on regions demonstrating a more stable economic outlook. The Group will direct more resources and energies to serve customers whose products are aligned to key underlying trends that will drive long-term business demand in order to build closer relationships with its customers. The Group will continue to expand its product lines under its brand businesses in order to further strengthen a recognized brand name for long-term success.

Continuous improvement of operating efficiency by process reengineering and automation continues to be a core objective on backend operations. The Group remain dedicated on strengthening its talent pool for the creation of new and unique products and delivering greater customer services — both of which are crucial for its direction of developing and diversifying its business in the long run.

Financial Review

Revenue

The Group's total revenue declined by HK\$141.1 million or 2.9% from HK\$4,895.2 million in 2014 to HK\$4,754.1 million in 2015. It was mainly attributable to the decrease in revenue on EMS and other PC related products and components by a total of HK\$333.1 million, which was partially offset by an increase in revenue on video graphics cards by HK\$192.1 million.

Orders on ODM/OEM contract manufacturing business segment declined by HK\$206.3 million or 15.4% from HK\$1,337.8 million in 2014 to HK\$1,131.5 million in 2015. Revenue from own brand video graphics cards business segment increased by HK\$398.3 million or 19.4% from HK\$2,048.9 million in 2014 to HK\$2,447.2 million in 2015, which fully offset the decline from the ODM/OEM contract manufacturing business segment. The growth of own brands video graphics cards business segment was mainly contributed by increase on market share for ZOTAC brand in the PRC region with an increase of HK\$304.2 million or 49.6% from HK\$612.8 million in 2014 to HK\$917.0 million in 2015.

Revenue from EMS business segment shrank by HK\$204.1 million or 21.2% from HK\$964.8 million in 2014 to HK\$760.7 million in 2015. Due to lower demand on orders from the POS and ATM systems together with decrease on orders on the fitness wearable devices all precipitated the slowdown. Revenue from other PC related products and components experienced a decline by HK\$129.0 million or 23.7% from HK\$543.7 million in 2014 to HK\$414.7 million in 2015. The decline was mainly caused by a lower level of business activities for both other PC products and trading component over the same period of the previous financial year.

Gross Profit and Margin

The gross profit of the Group for 2015 was HK\$415.2 million; representing a decrease of HK\$63.8 million or 13.3% over the same period of the previous financial year. Gross profit margin declined by 1.1% from 9.8% in 2014 to 8.7% in 2015. It was mainly due to a decline on revenue from products with higher gross profit margin and strong price competition on own brand businesses. A further operational efficiency was achieved as a result of the reduction of conversion costs included labour and production overheads to revenue ratio from 5.1% in 2014 to 4.3% in 2015.

Operating Expenses

Operating expenses for 2015 decreased by HK\$4.4 million or 1.1% from HK\$406.0 million for 2014 to HK\$401.6 million for 2015. Selling and distribution expenses reduced by HK\$10.8 million or 11.4% and finance cost reduced by HK\$0.1 million or 1.0% over the same period of the previous financial year. Administrative expenses increased by HK\$6.5 million or 2.2% from HK\$300.8 million in 2014 to HK\$307.3 million in 2015; in which, people costs increased by HK\$2.5 million or 1.1% from HK\$222.9 million in 2014 to HK\$225.4 million in 2015. It was mainly due to increase on resources for both product and engineering teams in order to strengthen the new product development capabilities. Other administrative expenses increased by HK\$4.0 million or 5.1% over the same period of the previous financial year to HK\$81.9 million in 2015, it was mainly due to increase on warehousing expenses.

Losses from other revenue and other gains and losses increased by HK\$21.7 million or 267.9% from HK\$8.1 million in 2014 to HK\$29.8 million in 2015. It was mainly due to net exchange losses on Renminbi and Korean Won increased by HK\$17.1 million or 114.8% over the same period of the previous financial year to HK\$32.0 million in 2015.

Loss for the Year

The Group recorded a loss for HK\$18.5 million in 2015. It was caused by a decrease on gross profit margin and higher operating expenses. However, the Group had turned around and achieved a net profit of HK\$9.5 million for the second half year in 2015 which brought down the net loss from HK\$28.0 million by end of the first half year 2015 to a net loss of HK\$18.5 million for the full year of 2015.

Loss Attributable to Shareholders and Dividends

The loss attributable to shareholders of the Group for 2015 was HK\$18.5 million compared to the profit of HK\$51.3 million for the previous financial year.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds have been decreased by HK\$38.3 million or 4.7%, from HK\$815.8 million in 2014 to HK\$777.5 million in 2015.

Financial Position

The Group has total current assets of HK\$2,227.8 million as at 31 December 2015 and HK\$2,330.0 million as at 31 December 2014. The Group's total current liabilities amounted to HK\$1,528.2 million as at 31 December 2015 and HK\$1,580.9 million as at 31 December 2014. The Group's current ratio, defined as total current assets over total current liabilities, remained at 1.5 as at 31 December 2014 and 31 December 2015.

The Group's cash and bank balances increased from HK\$709.1 million as at 31 December 2014 to HK\$789.8 million as at 31 December 2015. Based on the borrowings of HK\$800.5 million as at 31 December 2015 and HK\$703.9 million as at 31 December 2014, and total equity of HK\$777.5 million as at 31 December 2015 and HK\$815.8 million as at 31 December 2014, the Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) increased from negative value of 0.6% as at 31 December 2014 to positive value of 1.4% as at December 2015. The increase was mainly due to a higher ratio on increase on bank borrowings by end of 2015.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2015, the Group was exposed to currency risk primarily through sales and purchases 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 Korean Won. The Group managed certain of its exchange rate risk by entering into non-deliverable foreign exchange forward contract.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations and to minimise the Group's financial risks. The Group principally uses non-deliverable foreign exchange forward contract as appropriate risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Working Capital

Inventories of the Group as at 31 December 2015 were HK\$802.2 million, decreased by HK\$87.6 million or 9.8% as compared with HK\$889.8 million as at 31 December 2014. The inventory turnover days decreased from 72 days as at 31 December 2014 to 71 days as at 31 December 2015.

Trade receivables as at 31 December 2015 were HK\$616.5 million, decreased by HK\$81.5 million or 11.7% as compared with HK\$698.1 million as at 31 December 2014. Trade receivable turnover days decreased from 56 days as at 31 December 2014 to 50 days as at 31 December 2015.

Trade payables as at 31 December 2015 was HK\$589.2 million, decreased by HK\$91.6 million or 13.5% as compared with HK\$680.8 million as at 31 December 2014. Trade payable turnover days decreased from 57 days as at 31 December 2014 to 53 days as at 31 December 2015.

Charge on Assets

As at 31 December 2015, bank deposit of HK\$0.4 million was pledged to banks to secure general banking facilities granted to the Group.

Capital Expenditure

The Group spent HK\$32.7 million on capital expenditure in 2015. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments

As at 31 December 2015, total capital commitments amounted to HK\$0.08 million.

Contingencies

On 21 November 2014, Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor, LLC (collectively, “Samsung”) filed a complaint under section 337 of the Tariff Act of 1930 in the USITC against NVIDIA Corporation and its 14 customers, including Zotac International (Macao Commercial Offshore) Limited (“Zotac MCO”) and Zotac USA, Inc, alleging that they had engaged in unfair trade practice by importing and selling certain patent infringing products in the United States. Samsung sought an Exclusion Order and a Cease and Desist Order to bar the import and sale of the patent infringing products in the United States.

On 26 August 2015, at the request of Samsung, the presiding administrative law judge of the USITC (“ALJ”) made an order to terminate the Investigation as to Zotac MCO.

On 22 December 2015, the ALJ issued an Initial Determination (“ID”) finding that NVIDIA Corporation and its 13 customers, including Zotac USA, Inc., (collectively, “Respondents”) had infringed Samsung’s patents and violated Section 337 of the Tariff Act.

On 4 January 2016, the Respondents filed a Petition for Review of the ALJ’s ID with the USITC. On 24 February 2016, the Commission of the USITC determined to review in part the ALJ’s ID. It is expected that the USITC will deliver its final determination on 25 April 2016.

Management is of the view that this matter has no significant impact to the Group’s operation, and the Group would adjust its sales strategies accordingly to cope with any potential changes thereafter.

Significant Acquisitions and Disposals of Investments

Save for those disclosed in the 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 31 December 2015, 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 31 December 2015, the Group has applied HK\$19.7 million on expansion of production facilities, HK\$23.5 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 31 December 2015, the Group had 2,975 employees (2014: 4,071 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 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 year.

CORPORATE GOVERNANCE

During the year ended 31 December 2015, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2015, 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 a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

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 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 during the year.

AUDIT COMMITTEE

The Company established an audit committee on 21 December 2011 with written terms of reference. The primary duties of the audit committee are to review and supervise our 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 (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2015.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2015 have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 2015 Annual 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
PC Partner Group Limited
WONG Shik Ho Tony
Chairman

Hong Kong, 30 March 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, 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.

* *For identification purposes only*