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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 2013

FINANCIAL HIGHLIGHTS

	Period ended 30 June		
	2013	2012	Change
	HK$' million	*HK$' million*	
Turnover	**2,278.9**	2,599.8	-12.3%
Gross Profit	**225.4**	223.4	+0.9%
Profit attributable to owners of the Company	**29.0**	22.5	+28.7%
Gross profit %	**9.9%**	8.6%	+15.1%
Net profit %	**1.3%**	0.9%	+44.4%

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 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2013

	Notes	**30 June 2013 *HK$'000* (Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Turnover	3, 4	**2,278,858**	2,599,830
Cost of sales		**(2,053,424)**	(2,376,382)
Gross profit		**225,434**	223,448
Other revenue and other gains and losses	5	**4,043**	3,576
Selling and distribution expenses		**(45,093)**	(42,767)
Administrative expenses		**(140,492)**	(147,175)
Listing expenses		**—**	(720)
Finance costs	6	**(5,558)**	(7,141)
Profit before income tax expense	7	**38,334**	29,221
Income tax expense	8	**(9,338)**	(6,696)
Profit and total comprehensive income for the period		**28,996**	22,525
Profit and total comprehensive income attributable to the owners of the Company		**28,996**	22,525
Earnings per share		***HK$***	*HK$*
— Basic and diluted	10	**0.07**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000
Non-current assets			
Property, plant and equipment		**78,830**	90,361
Intangible assets		**7,415**	7,990
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,762**	1,762
Total non-current assets		**108,999**	121,105
Current assets			
Inventories		**766,989**	697,921
Trade and other receivables	11	**809,451**	851,997
Derivative financial assets		**1,308**	1,308
Current tax recoverable		**81**	344
Pledged time deposits		**310**	310
Cash and cash equivalents		**575,689**	602,591
Total current assets		**2,153,828**	2,154,471
Total assets		**2,262,827**	2,275,576
Current liabilities			
Trade and other payables	12	**781,510**	713,594
Borrowings		**715,466**	821,539
Provisions		**6,331**	6,228
Obligations under finance leases		**16**	16
Derivative financial liabilities		**3**	3
Current tax liabilities		**13,101**	6,148
Total current liabilities		**1,516,427**	1,547,528
Net current assets		**637,401**	606,943
Total assets less current liabilities		**746,400**	728,048
Non-current liabilities			
Obligations under finance leases		**34**	42
NET ASSETS		**746,366**	728,006
Capital and reserves attributable to owners of the Company			
Share capital		**41,752**	41,752
Reserves		**704,614**	686,254
TOTAL EQUITY		**746,366**	728,006

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 2013 (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 2012 (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 2013. 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 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Asia Pacific ("APAC")	**1,012,480**	1,014,218
North and Latin America ("NALA")	**356,281**	264,565
People's Republic of China ("PRC")	**484,059**	420,728
Europe, Middle East, Africa and India ("EMEAI")	**426,038**	900,319
	2,278,858	2,599,830

(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 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Video graphics cards	**1,570,995**	1,556,526
Electronics manufacturing services	**505,522**	746,277
Other PC related products and components	**202,341**	297,027
	2,278,858	2,599,830

(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 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Customer A *(Note b)*	**N/A**	261,772
Customer B *(Note c)*	**N/A**	349,149

Notes:

(a) No revenue from customers contribute 10% or more of the Group's revenue during the period.

(b) Revenue from this customer was derived mainly from sales of video graphics cards in the PRC.

(c) Revenue from this customer was derived from rendering of electronics manufacturing services in the EMEAI region.

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Interest income	**879**	970
Net exchange gains/(losses)	**165**	(15)
Net gains on derivative financial instruments	**541**	1,170
Sundry income	**2,458**	1,451
	4,043	3,576

6. FINANCE COSTS

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	**5,558**	7,141

7. PROFIT BEFORE INCOME TAX EXPENSE

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

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Inventories recognised as expense	**2,038,750**	2,371,387
Provision for obsolete inventories	**14,674**	4,995
Cost of sales	**2,053,424**	2,376,382
Staff costs *(Note)*	**176,954**	167,102
Auditor's remuneration	**295**	298
Depreciation of property, plant and equipment	**18,251**	18,130
Amortisation of intangible assets	**575**	864
Provision/(reversal of provision) for impairment losses on trade and other receivables	**492**	(6)
Operating lease payments on plant and machinery	**27**	226
Operating lease payments on premises	**15,997**	14,919
Property, plant and equipment written off	**5**	12
Provision for product warranties and returns	**103**	6,726

Note: Staff costs consist of share-based payment of HK$1,890,000 for the six months ended 30 June 2013 (2012: HK$5,877,000).

8. INCOME TAX EXPENSE

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

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Current tax — Hong Kong		
— provision for the period	**9,061**	5,048
Current tax — PRC		
— provision for the period	**242**	1,644
Current tax — Korea and Germany		
— provision for the period	**15**	—
— under provision in respect of prior period	**20**	4
Income tax expense	**9,338**	6,696

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% (2012: 16.5%) on the estimated assessable profits for the six months ended 30 June 2013. 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 since last year and the applicable PRC enterprise income tax rate is 15%. Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2012: 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 2013.

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

9. DIVIDEND

Dividend paid and payable by the Company for the six months ended 30 June 2013 and 2012 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Final dividend at HK$0.03 (2012: HK$0.08) per share in respect of the previous financial year declared	**12,526**	33,401

The directors of the Company recommend the payment of an interim dividend of HK$0.025 (2012: HK$0.02) per share, totalling HK$10,438,000 for the six months ended 30 June 2013 (2012: HK$8,350,000).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2013 and 2012 is based on the profit attributable to the owners of the Company and assuming the shares were in issue during the current and prior periods, calculated as follows:

Earnings

	30 June 2013 *HK$'000* **(Unaudited)**	30 June 2012 *HK$'000* (Unaudited)
Earnings for the purpose of basic and diluted earnings per share	**28,996**	22,525

Number of shares

	30 June 2013 **(Unaudited)**	30 June 2012 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**417,518,668**	412,260,426

The basic and diluted earnings per share for the respective periods are equal because the exercise price of the Company's share options was higher than the average market price for shares for both 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000*
Trade receivables	**782,739**	844,834
Less: Accumulated impairment losses	**(8,841)**	(8,354)
	773,898	836,480
Other receivables	**8,439**	1,392
Deposits and prepayments	**27,114**	14,125
	809,451	851,997

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

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000*
Within 1 month	**321,347**	398,743
Over 1 month but within 3 months	**349,201**	385,110
Over 3 months but within 1 year	**102,250**	50,198
Over 1 year	**1,100**	2,429
	773,898	836,480

The average credit period on sales of goods is 30 to 60 days from the invoice date.

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

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000*
Within 1 month	**162,674**	230,922
Over 1 month but within 3 months	**64,166**	88,219
Over 3 months but within 1 year	**73,850**	13,181
Over 1 year	**715**	2,233
	301,405	334,555

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. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000*
Trade payables	**607,163**	553,223
Other payables and accruals	**161,821**	160,371
Dividend payables	**12,526**	—
	781,510	713,594

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 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000*
Within 1 month	**303,931**	225,699
Over 1 month but within 3 months	**254,032**	291,596
Over 3 months but within 1 year	**45,984**	32,900
Over 1 year	**3,216**	3,028
	607,163	553,223

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.025 per share, totalling HK$10,438,000 for the six months ended 30 June 2013 to be paid on 30 September 2013 (Monday) to shareholders whose names appear on the Company's register of members on 13 September 2013 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2013 (Monday) to 18 September 2013 (Wednesday) (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 2013 (Friday) 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 GPU 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 manufacturers products for a provider of Internet Media Tablets, Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, as well as modules for a Light Emitting Diode ("LED"), a flash memory provider and a healthcare product provider. Beside the video graphics cards and 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

Total revenue decreased by HK$320.9 million, or 12.3%, from HK$2,599.8 million for the six months ended 30 June 2012 to HK$2,278.9 million for the six months ended 30 June 2013. It was mainly due to a significant decline in the Europe, Middle East, Africa and India ("EMEAI") region by $474.3 million, partially offset by a growth in both the North and Latin America ("NALA") region and People's Republic of China ("PRC") region by a total of HK$155.0 million.

Asia Pacific ("APAC") region

APAC region experienced a slight decline in revenue by HK$1.7 million or 0.2%, from HK$1,014.2 million for the six months ended 30 June 2012 to HK$1,012.5 million for the six months ended 30 June 2013. This was mainly resulted from a decline in sales of video graphics cards to the ODM/OEM contract manufacturing customers, which has been partially offset by a growth in own brands video graphics cards in the region.

EMEAI region

EMEAI region experienced a decline of HK$474.3 million or 52.7%, from HK$900.3 million for the six months ended 30 June 2012 to HK$426.0 million for the six months ended 30 June 2013. It was mainly due to a significant decline in orders from the Internet Media Tablet customer by HK$312.3 million or 89.6%, from HK$348.4 million for the six months ended 30 June 2012 to HK$36.1 million for the six months ended 30 June 2013. Another EMS customer for LED modules has also shown a significant decline in orders by HK$94.7 million or 63.3%, from HK$149.5 million for the six months ended 30 June 2012 to HK$54.8 million for the six months ended 30 June 2013.

NALA region

NALA region marked a growth of HK$91.7 million or 34.7%, from HK$264.6 million for the six months ended 30 June 2012 to HK$356.3 million for the six months ended 30 June 2013. It was mainly attributable to revenue contribution from a new EMS customer during the period.

PRC region

PRC region recorded a growth of HK$63.4 million or 15.1%, from HK$420.7 million for the six months ended 30 June 2012 to HK$484.1 million for the six months ended 30 June 2013. It was mainly attributable to the sales increment on video graphics cards in the region during the period.

Outlook

The macro-economic environment will remain challenging in the second half year of 2013 and 2014. The US economic recovery is expected to continue, but it is likely to remain slow. In Europe, the picture is mixed and uncertain. Material costs are forecast to be steady, while labour costs and manufacturing overheads are expected to increase further. With efficiency gains through product optimisation and process improvement as well as product mix improvement, gross profit margin is expected to increase. We are optimistic in achieving higher returns to our shareholders as the Group will continue focus on innovative product development to gain market leadership and efficient operations.

Financial Review

Revenue

During the period under review, total revenue decreased by HK$320.9 million or 12.3%, from HK$2,599.8 million for the six months ended 30 June 2012 to HK$2,278.9 million for the six months ended 30 June 2013. It was mainly due to a decline in revenue from EMS by HK$240.8 million and a decline in other PC related products and components by HK$94.7 million, which partially offset by an increase in revenue from video graphics cards by HK$14.5 million.

Revenue from the video graphics cards increased by HK$14.5 million or 0.9%, from HK$1,556.5 million for the six months ended 30 June 2012 to HK$1,571.0 million for the six months ended 30 June 2013. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK$91.1 million or 11.5%, from HK$795.2 million for the six months ended 30 June 2012 to HK$886.3 million for the six months ended 30 June 2013, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK$76.6 million or 10.1%, from HK$761.3 million for the six months ended 30 June 2012 to HK$684.7 million for the six months ended 30 June 2013.

Revenue derived from the EMS businesses decreased by HK$240.8 million or 32.3%, from HK$746.3 million for the six months ended 30 June 2012 to HK$505.5 million for the six months ended 30 June 2013. The decrease was mainly due to a decrease in sales of Internet Media Tablets, flash memory modules and LED modules, which was partially offset by higher demand in both POS and ATM systems and other EMS products.

Revenue from other PC related products and components decreased by HK$94.7 million or 31.9%, from HK$297.0 million for the six months ended 30 June 2012 to HK$202.3 million for the six months ended 30 June 2013. The decline was mainly resulted from other PC related products declined by HK$76.6 million and trading components declined by HK$18.1 million during the period under review.

Gross Profit and Margin

The gross profit of the Group for the six months ended 30 June 2013 was HK$225.4 million, representing an increase of HK$2.0 million or 0.9% compared with HK$223.4 million for the six months period ended 30 June 2012. Gross profit margin for the six months period ended 30 June 2013 increased by 1.3% from 8.6% for the six months ended 30 June 2012 to 9.9% for the six months period ended 30 June 2013. It was mainly attributable to the continuous improvement in the Group's product mix, which reduced the overall material cost to revenue ratio by 2.0%, from 85.7% for the six months period ended 30 June 2012 to 83.7% for the six months ended 30 June 2013. However, resulted from increase in minimum wages in Dongguan and appreciation of the Renminbi, increment on conversion costs include labour, subcontracting charges and production overheads to revenue ratio increase by 0.7% from 5.7% for the six months ended 30 June 2012 to 6.4% for the six months ended 30 June 2013. The increase in conversion costs partially offset the product mix contribution and resulted in a net improvement of 1.3% in the gross profit margin.

Profit for the period

The profit for the six months ended 30 June 2013 was HK$29.0 million, representing an increase of HK$6.5 million or 28.7% over the six months ended 30 June 2012. The increase in gross profit together with reduction of operating expenses have contributed to the increase in profit for the period.

Selling and distribution expenses increased by HK$2.3 million or 5.4%, from HK$42.8 million for the six months ended 30 June 2012 to HK$45.1 million for the six months ended 30 June 2013. It was mainly due to increase in advertising and promotion activities on own brands products during the period under review.

Administrative expenses decreased by HK$6.7 million or 4.6%, from HK$147.2 million for the six months ended 30 June 2012 to HK$140.5 million for the six months ended 30 June 2013. It was mainly resulted from cost reduction under the subsidiary in the United States, which generated savings on administrative expenses of HK$6.3 million during the period under review.

Finance costs decreased by HK$1.5 million or 22.2%, from HK$7.1 million for the six months ended 30 June 2012 to HK$5.6 million for the six months ended 30 June 2013. It was mainly resulted from sales volume decline, which relied less on bank borrowings during the period under review.

Income tax expenses increased by HK$2.6 million or 39.5%, from HK$6.7 million for the six months ended 30 June 2012 to HK$9.3 million for the six months ended 30 June 2013. It was mainly contributed by the increase in operating profit for the Group and gross profit margin improvement under a Hong Kong entity.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for the six months ended 30 June 2013 was HK$29.0 million, representing an increase of HK$6.5 million compared with the six months ended 30 June 2012. Net profit margin increased by 0.4% from 0.9% for the six months ended 30 June 2012 to 1.3% for the six months ended 30 June 2013.

Basic earnings per share was increased by HK 2 cents, to HK 7 cents for the six months ended 30 June 2013 as compared with HK 5 cents for the six months ended 30 June 2012. The Directors proposed an interim dividend of HK 2.5 cents per share for the six months ended 30 June 2013, which is estimated to be HK$10.4 million in total.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds increased by HK$18.4 million, from HK$728.0 million as at 31 December 2012 to HK$746.4 million as at 30 June 2013.

Financial Position

The Group had total current assets of HK$2,153.8 million as at 30 June 2013 and HK$2,154.5 million as at 31 December 2012. The Group's total current liabilities amounted to HK$1,516.4 million as at 30 June 2013 and HK$1,547.5 million as at 31 December 2012. The Group's current ratio, defined as total current assets over total current liabilities, remained at 1.4 as at 30 June 2013.

The Group's cash and bank balances decreased from HK$602.6 million as at 31 December 2012 to HK$575.7 million as at 30 June 2013. Based on the borrowings of HK$715.5 million as at 30 June 2013 and HK$821.6 million as at 31 December 2012, and total equity of HK$746.4 million as at 30 June 2013 and HK$728.0 million as at 31 December 2012, the Group's gearing ratio (being net debts divided by total equity) reduced from 30.1% as at 31 December 2012 to 18.7% as at 30 June 2013. The decrease in gearing ratio was mainly attributable to lower level of bank borrowings for the six months ended 30 June 2013.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2013, 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 dollars and Renminbi. The Group managed certain of its exchange rate risk by entering into forward foreign exchange contracts and performance swap contracts.

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 forward foreign exchange contracts and performance swap contracts 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 30 June 2013 were HK$767.0 million, increased by HK$69.1 million or 9.9% as compared with HK$697.9 million as at 31 December 2012. It was mainly due to additional raw materials prepared for an EMS customer to support the business growth as at 30 June 2013. Therefore, inventory turnover days increased from 58 days for the year ended 31 December 2012 to 65 days for the six months ended 30 June 2013.

Trade receivables as at 30 June 2013 were HK$773.9 million, decreased by HK$62.6 million or 7.5% as compared with HK$836.5 million as at 31 December 2012. Trade receivable turnover days increased from 59 days for the year ended 31 December 2012 to 64 days for the six months ended 30 June 2013.

Trade payables as at 30 June 2013 was HK$607.2 million, increased by HK$54.0 million or 9.8% as compared with HK$553.2 million as at 31 December 2012. Trade payable turnover days decreased from 58 days for the year ended 31 December 2012 to 51 days for the six months ended 30 June 2013.

Charge on Assets

As at 30 June 2013, bank deposit of HK$0.3 million was pledged to bank to secure general banking facilities granted to the Group.

Capital Expenditure

For the six months ended 30 June 2013, the Group invested HK$6.7 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 2013, total capital commitments amounted to HK$0.2 million, and there were no material contingent liabilities or off balance obligations.

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 subsidiary.

Future plans for material investments or capital assets

The Group had no plans for material investments or acquisitions of capital assets as at 30 June 2013, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of its 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 2013, the Group has applied HK$12.1 million on expansion of production facilities, HK$13.6 million on promotion and development of new products and brand name, HK$4.0 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 4,562 employees (2012: 5,321 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 2013.

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 2013, 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 2013, 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 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, 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 2013.

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 2013 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, 23 August 2013

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 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*