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 2014

FINANCIAL HIGHLIGHTS

	Period ended 30 June		
	2014	2013	Change
	HK$ million	*HK$ million*	
Turnover	**2,403.7**	2,278.9	+5.5%
Gross Profit	**214.2**	225.4	–5.0%
Profit for the period	**5.6**	29.0	–80.8%
Gross profit %	**8.9%**	9.9%	–10.1%
Net profit %	**0.2%**	1.3%	–84.6%

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 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	Notes	**30 June 2014** *HK$'000* **(Unaudited)**	30 June 2013 *HK$'000* (Unaudited)
Turnover	3, 4	**2,403,692**	2,278,858
Cost of sales		**(2,189,488)**	(2,053,424)
Gross profit		**214,204**	225,434
Other revenue and other gains and losses	5	**(5,270)**	4,043
Selling and distribution expenses		**(49,422)**	(45,093)
Administrative expenses		**(142,785)**	(140,492)
Finance costs	6	**(6,076)**	(5,558)
Profit before income tax	7	**10,651**	38,334
Income tax expense	8	**(5,087)**	(9,338)
Profit for the period		**5,564**	28,996
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**607**	—
Total comprehensive income for the period		**6,171**	28,996
Earnings per share		***HK$***	*HK$*
— Basic and diluted	10	**0.01**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000
Non-current assets			
Property, plant and equipment		**53,615**	63,845
Intangible assets		**7,128**	7,272
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,790**	1,790
Total non-current assets		**83,525**	93,899
Current assets			
Inventories		**919,982**	854,314
Trade and other receivables	11	**619,834**	854,043
Current tax recoverable		**459**	805
Pledged time deposits		**310**	310
Cash and cash equivalents		**617,663**	688,972
Total current assets		**2,158,248**	2,398,444
Total assets		**2,241,773**	2,492,343
Current liabilities			
Trade and other payables	12	**648,943**	869,597
Borrowings		**807,937**	823,111
Provisions		**4,490**	7,032
Obligations under finance leases		**16**	15
Derivative financial liabilities		**—**	2,391
Current tax liabilities		**9,056**	8,447
Total current liabilities		**1,470,442**	1,710,593
Net current assets		**687,806**	687,851
Total assets less current liabilities		**771,331**	781,750
Non-current liabilities			
Obligations under finance leases		**19**	27
Deferred tax liabilities		**80**	80
Total non-current liabilities		**99**	107
NET ASSETS		**771,232**	781,643
Capital and reserves			
Share capital		**41,752**	41,752
Reserves		**729,480**	739,891
TOTAL EQUITY		**771,232**	781,643

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 (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 2013 (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 2014. 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 2014 *HK$'000* **(Unaudited)**	30 June 2013 *HK$'000* (Unaudited)
Asia Pacific ("APAC")	**1,145,662**	1,012,480
North and Latin America ("NALA")	**361,910**	356,281
People's Republic of China ("PRC")	**549,747**	484,059
Europe, Middle East, Africa and India ("EMEAI")	**346,373**	426,038
	2,403,692	2,278,858

(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 2014 *HK$'000* **(Unaudited)**	30 June 2013 *HK$'000* (Unaudited)
Video graphics cards	**1,681,168**	1,570,995
Electronics manufacturing services	**415,723**	505,522
Other PC related products and components	**306,801**	202,341
	2,403,692	2,278,858

(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 2014 *HK$'000* **(Unaudited)**	30 June 2013 *HK$'000* (Unaudited)
Customer A *(Note)*	**276,191**	N/A

Note: Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue for the six months ended 30 June 2013 does not contribute 10% or more of the Group's revenue.

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2014	30 June 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**1,363**	879
Net exchange (losses)/gains	**(10,793)**	165
Net gain on settlement of derivative financial instruments	**1,946**	541
Gain on disposal of property, plant and equipment	**220**	—
Sundry income	**1,994**	2,458
	(5,270)	4,043

6. FINANCE COSTS

	30 June 2014	30 June 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	**6,076**	5,558

7. PROFIT BEFORE INCOME TAX

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

	30 June 2014	30 June 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Inventories recognised as expense	**2,174,525**	2,038,750
Provision for obsolete inventories	**14,963**	14,674
Cost of sales	**2,189,488**	2,053,424
Staff costs *(Note)*	**181,632**	176,954
Auditor's remuneration	**493**	295
Depreciation of property, plant and equipment	**17,124**	18,251
Amortisation of intangible assets	**144**	575
(Reversal of provision)/provision for impairment losses on trade and other receivables	**(538)**	492
Operating lease payments on plant and machinery	**119**	27
Operating lease payments on premises	**16,902**	15,997
Property, plant and equipment written off	**1**	5
(Reversal of provision)/provision for product warranties and returns	**(2,293)**	103

Note: Staff costs consist of share-based payment of HK$119,000 for the six months ended 30 June 2014 (2013: HK$1,890,000).

8. INCOME TAX EXPENSE

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

	30 June 2014 *HK$'000* (Unaudited)	30 June 2013 *HK$'000* (Unaudited)
Current tax — Hong Kong		
— provision for the period	**3,510**	9,061
Current tax — PRC		
— provision for the period	**1,508**	242
— under provision in respect of prior year	**18**	—
Current tax — Korea, Germany and United States		
— provision for the period	**16**	15
— under provision in respect of prior year	**35**	20
Income tax expense	**5,087**	9,338

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% (2013: 16.5%) on the estimated assessable profits for the six months ended 30 June 2014. 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 last year and the applicable PRC enterprise income tax rate for the six months ended 30 June 2014 is 15% (2013: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2013: 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 2014.

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

9. DIVIDEND

	30 June 2014 *HK$'000* (Unaudited)	30 June 2013 *HK$'000* (Unaudited)
2013 Final dividend paid — HK$0.04 (2013: 2012 Final dividend — HK$0.03) per share	**16,701**	12,526

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: HK$0.025 per share, totalling HK$10,438,000).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2014 and 2013 is based on the profit for the periods and assuming the shares were in issue during the current and prior periods, calculated as follows:

Earnings

	30 June 2014	30 June 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share	**5,564**	28,996

Number of shares

	30 June 2014	30 June 2013
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings 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 per share	**417,518,668**	417,518,668

The computation of diluted earnings per share for the six months ended 30 June 2014 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 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	
Trade receivables	**571,071**	825,562
Less: Accumulated impairment losses	**(8,975)**	(9,912)
	562,096	815,650
Other receivables	**18,085**	7,116
Deposits and prepayments	**39,653**	31,277
	619,834	854,043

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

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	
Within 1 month	**313,689**	465,715
Over 1 month but within 3 months	**222,374**	296,439
Over 3 months but within 1 year	**25,224**	52,981
Over 1 year	**809**	515
	562,096	815,650

The credit period on sales of goods is 25 to 60 days (2013: 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 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	
Within 1 month	**104,186**	123,619
Over 1 month but within 3 months	**17,217**	21,697
Over 3 months but within 1 year	**14,153**	35,807
Over 1 year	**98**	350
	135,654	181,473

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 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	
Trade payables	**486,739**	693,421
Other payables and accruals	**162,204**	176,176
	648,943	869,597

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 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	
Within 1 month	**253,272**	345,942
Over 1 month but within 3 months	**215,182**	313,843
Over 3 months but within 1 year	**15,084**	29,182
Over 1 year	**3,201**	4,454
	486,739	693,421

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: HK$0.025 per share, totalling HK$10,438,000).

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 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

In the first half of 2014, the total revenue of the Group has achieved a steady growth, reaching HK$2,403.7 million, representing an increase of HK$124.8 million, or 5.5%, as compared to HK$2,278.9 million for the same period in last year. It was mainly due to a growth of total HK$198.8 million in the Asia Pacific ("APAC") region and the People's Republic of China ("PRC") region, which successfully offset the decline of HK$79.6 million in the Europe, Middle East, Africa and India ("EMEAI") region. North and Latin America ("NALA") region has also achieved a growth of HK$5.6 million as compared to the same period in last year.

APAC Region

In the APAC region, the revenue significantly increased to HK$1,145.7 million, representing a growth of HK$133.2 million, or 13.2%, as compared to HK$1,012.5 million in the first half of 2013. It was mainly driven by an overall increase on all business segments including video graphics cards, EMS, and other PC related products and components.

EMEAI Region

In the EMEAI region, the revenue amounted to HK$346.4 million, representing a decrease of HK$79.6 million, or 18.7%, as compared to HK$426.0 million for the same period in last year. It was mainly due to a notable decline in orders from the LED modules customer to HK$14.6 million, representing a decrease of HK$40.2 million, or 73.3%, as compared to HK$54.8 million for the same period in last year. Orders from another EMS customer for the Internet Media Tablet also dropped to HK$0.9 million, representing a decrease of HK$35.2 million, or 97.5%, as compared to HK$36.1 million for the same period in last year. It was mainly because of the discontinued product manufacturing for the customer within the period under review.

NALA Region

In the NALA region, the revenue maintained a mild growth to HK$361.9 million, representing an increase of HK$5.6 million, or 1.6%, as compared to HK$356.3 million for the same period in last year. The growth in both the video graphics cards segment and other PC related products and components segment was partially offset by a decline on EMS business. It was mainly due to a drop in orders from one of the EMS customer to HK$79.7 million, representing a decrease of HK$45.3 million, or 36.2%, as compared to HK$125.0 million for the same period in last year.

PRC Region

In the PRC region, the revenue recorded a growth to HK$549.7 million, representing an increase of HK$65.6 million, or 13.6%, as compared to HK$484.1 million for the same period in last year. It was mainly attributable to the sales increment on video graphics cards in the region in the first half of 2014.

Outlook

The operating environment will continue to be challenging with market uncertainties, particularly on video graphics cards segment, as we anticipate price pressure from competitors for clearing excessive inventory in the third quarter of 2014. However, we remain cautiously optimistic for business in the second half of 2014 because we are expecting more orders from EMS customers and a strong demand in the other PC related products and components segment. In addition, new series of graphic processors will be launched in the fourth quarter of 2014, which is likely to lead to a higher demand on video graphics cards. The Group will continue to leverage its core strength for further expansion of business networks through developing and promoting new products and the brand, at the same time allocate more resources in supporting research and development, improving manufacturing capabilities and building up strong brand image.

Financial Review

Revenue

During the period under review, the Group's total revenue increased by HK$124.8 million, or 5.5%, to HK$2,403.7 million, as compared to HK$2,278.9 million for the same period in last year. It was mainly due to an increase in revenue from video graphics cards and other PC related products and components. However, this growth was partially offset by a decline in revenue from EMS.

Revenue from the video graphics cards has been increased by HK$110.2 million, or 7.0%, from HK$1,571.0 million in the first half of 2013 to HK$1,681.2 million in the first half of 2014. It was mainly attributable to the stronger demand on higher value products on both ODM/OEM contract manufacturing businesses and own brand businesses. Although the sales volume of video graphics cards dropped during the period under review, its influence on revenue was neutralized by the shifting of market demand to those with higher value products.

Revenue derived from the EMS business amounted to HK$415.7 million, representing a decrease of HK$89.8 million, or 17.8%, as compared to HK$505.5 million for the same period in last year. The decline was mainly due to a decrease in sales of Internet Media Tablets, LED modules, and healthcare products.

Revenue from other PC related products and components increased by HK$104.5 million, or 51.6%, from HK$202.3 million in the first half of 2013 to HK$306.8 million in the first half of 2014. The growth was mainly due to an increase in sales of all business segments during the period under review.

Gross Profit and Margin

The Group's gross profit was HK$214.2 million, representing a decrease of HK$11.2 million, or 5.0%, compared with HK$225.4 million in the first half of 2013. Gross profit margin decreased by 1.0% to 8.9% compared with 9.9% in the first half of 2013. It was mainly due to a decline on gross profit margin (sales minus material costs) of video graphics cards by 2.4% as compared to the same period in last year. The gross profit margin (sales minus material costs) for own brands video graphics cards decreased in second quarter of 2014 by approximately 3.3% as compared to first quarter of 2014. Since the Group experienced a dramatic decline in the demand of video graphics cards after the Bitcoin bubble burst in the second quarter of 2014, the Group traded off the profit margin with a price cut on video graphics cards, in order to reduce the risk of holding excessive inventory. In addition, the decline in orders from EMS business was partially compensated by the higher gross profit on other PC related products and components business segment, resulting in a smaller influence on the total gross profit.

Profit for The Period

The profit for period under review was HK$5.6 million, representing a decrease of HK$23.4 million, or 80.8%, as compared to same period in last year. The decrease in gross profit together with an increase of operating expenses resulted in a lower profit for the period.

Selling and distribution expenses increased by HK$4.3 million, or 9.6%, from HK$45.1 million for the six months ended 30 June 2013 to HK$49.4 million for the six months ended 30 June 2014. It was mainly due to increase in freight and transportation expenses and marketing development expenses on own brands products during the period under review.

Administrative expenses increased by HK$2.3 million, or 1.6%, from HK$140.5 million for the six months ended 30 June 2013 to HK$142.8 million for the six months ended 30 June 2014. The increase was mainly due to a net impact of increase on salary and compensation, which was offset by expenditure savings on other items under administrative expenses. The Group experienced an exchange loss which was mainly due to depreciation of Renminbi to United States dollar for the period under review.

Finance costs increased by HK$0.5 million or 9.3%, from HK$5.6 million for the six months ended 30 June 2013 to HK$6.1 million for the six months ended 30 June 2014. It was mainly resulted from a higher utilisation of the bank borrowings during the period under review.

Income tax expenses was decreased by HK$4.2 million or 45.5%, from HK$9.3 million for the six months ended 30 June 2013 to HK$5.1 million for the six months ended 30 June 2014. It was mainly resulted by a lower operating profit being generated for the Group during the period under review.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group was HK$5.6 million, representing a decline of HK$23.4 million as compared to HK$29.0 million for same period in last year. Net profit margin decreased from 1.3% for the six month ended 30 June 2013 to 0.2% for the six months ended 30 June 2014.

Basic earnings per share decreased by HK6 cents to HK1 cent for the first half of 2014 as compared to HK7 cents for the same period in last year. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds decreased by HK$10.4 million, from HK$781.6 million as at 31 December 2013 to HK$771.2 million as at 30 June 2014.

Financial Position

The Group has total current assets of HK$2,158.2 million as at 30 June 2014 and HK$2,398.4 million as at 31 December 2013. The Group's total current liabilities amounted to HK$1,470.4 million as at 30 June 2014 and HK$1,710.6 million as at 31 December 2013. The Group's current ratio, defined as total current assets over total current liabilities, improved from 1.4 as at 31 December 2013 to 1.5 as at 30 June 2014.

The Group's cash and cash equivalents decreased from HK$689.0 million as at 31 December 2013 to HK$617.7 million as at 30 June 2014. Based on the borrowings of HK$808.0 million as at 30 June 2014 and HK$823.2 million as at 31 December 2013, and the total equity of HK$771.2 million as at 30 June 2014 and HK$781.6 million as at 31 December 2013, the Group's gearing ratio (being net debts divided by total equity) increased from 17.2% as at 31 December 2013 to 24.7% as at 30 June 2014. The increase in gearing ratio was mainly resulted from lower cash and cash equivalents as at 30 June 2014.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2014, 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 withstood a portion of its exchange rate risk by entering into performance swap contracts and non-deliverable foreign exchange forward contract.

Working Capital

Inventories of the Group as at 30 June 2014 was HK$920.0 million, increased by HK$65.7 million or 7.7% as compared with HK$854.3 million as at 31 December 2013. Inventory turnover days increased from 66 days for the year ended 31 December 2013 to 73 days for the six months ended 30 June 2014.

Trade receivables as at 30 June 2014 were HK$562.1 million, decreased by HK$253.6 million or 31.1% as compared with HK$815.7 million as at 31 December 2013. Trade receivable turnover days decreased from 63 days for the year ended 31 December 2013 to 52 days for the six months ended 30 June 2014.

Trade payables as at 30 June 2014 was HK$486.7 million, decreased by HK$206.7 million, or 29.8%, as compared with HK$693.4 million as at 31 December 2013. Trade payable turnover days decreased from 53 days for the year ended 31 December 2013 to 49 days for the six months ended 30 June 2014.

Charge on Assets

As at 30 June 2014, 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 2014, the Group invested HK$6.9 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 2014, total capital commitments amounted to HK$0.9 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 2014, 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 2014, the Group has applied HK$16.3 million on expansion of production facilities, HK$22.3 million on promotion and development of new products and brand name, HK$12.6 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group had 4,151 employees (2013: 4,858 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 2014.

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 2014, 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 2014, 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 2014.

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 2014 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, 29 August 2014

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*