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 2014

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	Change
	HK$ million	*HK$ million*	
Turnover	**4,895.2**	4,803.1	+1.9%
Gross Profit	**479.0**	478.4	+0.1%
Profit for the year	**51.3**	73.1	–29.8%
Gross Profit %	**9.8%**	10.0%	–2.0%
Net Profit %	**1.0%**	1.5%	–33.3%

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 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*4,5*	**4,895,192**	4,803,097
Cost of sales		**(4,416,163)**	(4,324,676)
Gross profit		**479,029**	478,421
Other revenue and other gains and losses	*6*	**(8,058)**	10,185
Selling and distribution expenses		**(94,382)**	(95,536)
Administrative expenses		**(300,794)**	(296,324)
Finance costs	*7*	**(10,840)**	(10,791)
Profit before income tax	*8*	**64,955**	85,955
Income tax expense	*9*	**(13,606)**	(12,810)
Profit for the year		**51,349**	73,145
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(587)**	106
Total comprehensive income for the year		**50,762**	73,251
		HK$	*HK$*
Earnings per share	*12*		
— Basic		**0.12**	0.18
— Diluted		**0.12**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**41,160**	63,845
Intangible assets		**6,704**	7,272
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,727**	1,790
Total non-current assets		**70,583**	93,899
Current assets			
Inventories	*14*	**889,798**	854,314
Trade and other receivables	*13*	**729,305**	854,043
Current tax recoverable		**1,420**	805
Pledged time deposits		**427**	310
Cash and cash equivalents		**709,080**	688,972
Total current assets		**2,330,030**	2,398,444
Total assets		**2,400,613**	2,492,343
Current liabilities			
Trade and other payables	*15*	**845,434**	869,597
Borrowings	*16*	**703,869**	823,111
Provisions		**4,823**	7,032
Obligations under finance leases		**15**	15
Derivative financial liabilities		**10,327**	2,391
Current tax liabilities		**16,479**	8,447
Total current liabilities		**1,580,947**	1,710,593
Net current assets		**749,083**	687,851
Total assets less current liabilities		**819,666**	781,750
Non-current liabilities			
Obligations under finance leases		**12**	27
Derivative financial liabilities		**3,830**	—
Deferred tax liabilities		**1**	80
Total non-current liabilities		**3,843**	107
NET ASSETS		**815,823**	781,643
Capital and reserves			
Share capital	*17*	**41,752**	41,752
Reserves		**774,071**	739,891
TOTAL EQUITY		**815,823**	781,643

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 2014

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 2014.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities

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 (2014)	Financial Instruments[3]
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 2017
3 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 will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The statement of financial position of the Company will be presented in the notes rather than a separate statement and the related notes need not be included, while generally the statutory disclosures will be simplified.

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:

	2014	2013
	HK$'000	*HK$'000*
Asia Pacific ("APAC")	**2,246,238**	2,138,330
North and Latin America ("NALA")	**747,366**	691,025
People's Republic of China ("PRC")	**1,081,486**	1,005,013
Europe, Middle East, Africa and India ("EMEAI")	**820,102**	968,729
	4,895,192	4,803,097

(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:

	2014	2013
	HK$'000	*HK$'000*
APAC	**9,043**	10,783
NALA	**90**	219
PRC	**38,685**	60,100
EMEAI	**46**	15
	47,864	71,117

(c) Revenue from major products and services

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

	2014	2013
	HK$'000	*HK$'000*
Video graphics cards	**3,386,632**	3,347,666
Electronics manufacturing services	**964,827**	1,024,644
Other PC related products and components	**543,733**	430,787
	4,895,192	4,803,097

(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:

	2014	2013
	HK$'000	*HK$'000*
Customer A *(Note)*	**587,728**	518,731

Note:

Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region.

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

	2014	2013
	HK$'000	*HK$'000*
Interest income	**2,788**	2,860
Net exchange (losses)/gains	**(14,906)**	1,288
Net fair value losses on derivative financial instruments	**(11,766)**	(3,695)
Net (losses)/gains on settlement of derivative financial instruments	**(1,263)**	5,145
Gain on disposal of property, plant and equipment	**9,697**	458
Impairment on intangible assets	**(281)**	—
Sundry income	**7,673**	4,129
	(8,058)	10,185

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**10,840**	10,791

8. PROFIT BEFORE INCOME TAX

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

	2014	2013
	HK$'000	*HK$'000*
Inventories recognised as expense	**4,413,731**	4,297,323
Provision for obsolete inventories	**2,432**	27,353
Cost of sales	**4,416,163**	4,324,676
Staff costs	**362,560**	361,173
Auditor's remuneration	**1,719**	1,614
Depreciation of property, plant and equipment	**32,351**	35,927
Amortisation of intangible assets	**287**	718
Impairment on intangible assets	**281**	—
(Reversal of provision)/provision for impairment losses on trade and other receivables	**(1,941)**	2,023
Operating lease payments on plant and machinery	**239**	240
Operating lease payments on premises	**35,133**	30,362
Property, plant and equipment written off	**1**	459
Net (reversal of provision)/provision for product warranties and returns	**(1,652)**	1,517
Research and development expenditure *(Note)*	**38,776**	30,214

Note:

The research and development expenditure for the year includes HK$38,776,000 (2013: HK$30,214,000) 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:

	2014	2013
	HK$'000	*HK$'000*
Current tax — Hong Kong		
— provision for the year	**9,179**	10,038
— (over)/under provision in respect of prior year	**(72)**	48
Current tax — PRC		
— provision for the year	**1,974**	2,038
— under provision in respect of prior year	**698**	5
Current tax — others		
— provision for the year	**1,808**	611
— under provision in respect of prior year	**35**	18
	13,622	12,758
Deferred tax		
— origination and reversal of temporary differences	**(16)**	52
Income tax expense	**13,606**	12,810

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 year ended 31 December 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 2012 and the applicable PRC enterprise income tax rate for the year 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 year ended 31 December 2014.

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 profit per the consolidated statement of comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Profit before income tax	**64,955**	85,955
Tax on profit before income tax, calculated at Hong Kong profits tax rate	**10,718**	14,183
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,255)**	(54)
Effect of tax exemption granted to a subsidiary	**677**	2,028
Tax effect of non-taxable net income relating to offshore operation	**(7,595)**	(8,594)
Tax effect of expenses not deductible for tax purposes	**25,742**	8,154
Tax effect of revenue not taxable for tax purposes	**(12,797)**	(5,746)
Tax effect of tax losses and deductible temporary differences not recognised	**235**	2,010
Under provision in prior year	**661**	71
Tax rebate	**(60)**	(50)
Others	**280**	808
Income tax expense	**13,606**	12,810

(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:

(i) Additional tax assessment amounting to approximately HK$1,286,000 on the deduction claim of subcontracting charges for the year of assessment 2006/07

On 27 March 2013, the Commissioner of the IRD issued a protective assessment for the year of assessment 2006/07 to the Company's subsidiary, PC Partner Limited ("PCP"), demanding additional tax totaling HK$1,286,000 regarding deduction claim of subcontracting charges. Based upon professional advice then obtained, the directors believed that PCP had meritorious reasons to justify appealing against the Commissioner's determination. Accordingly, PCP lodged an objection to the IRD on 25 April 2013 applying for an unconditional holdover of tax for the year of assessment 2006/07. Meanwhile, PCP purchased tax reserve certificate for the year of assessment 2006/07 as directed by the Commissioner of the IRD pending the decision of the objection review. On 6 December 2013, PCP submitted a further objection letter to the IRD explaining the grounds in detail. On 4 March 2014, the IRD issued a letter requesting for additional information. On 30 June 2014, PCP submitted the reply to the IRD.

(ii) Additional tax assessment amounting to approximately HK$10,150,000 on assessable profits claimed under Contract Processing Arrangement ("CPA") with 50:50 apportionment and deduction claim of prescribed fixed assets for the year of assessment 2007/08

The IRD issued a letter on 4 March 2014 to PCP requesting documentary evidence to support the payment of subcontracting charges as mentioned in (i) above and also issued a protective assessment for the year of assessment 2007/08 to PCP, demanding additional tax totaling HK$10,150,000 regarding assessable profits claimed under CPA with 50:50 apportionment and deduction claim of prescribed fixed assets. Based on the assessment of the Group's professional adviser, the directors agreed that the 50:50 apportionment should be applied from 7 September 2007 to 31 December 2007 instead of full year. The directors also agreed that the capital expenditure claimed may not qualify for prescribed fixed assets deduction, yet it should be entitled to claim depreciation allowances. By accounting for the depreciation allowances, there would be adjusted loss instead of assessable profit.

On 4 April 2014, PCP lodged an objection to the IRD applying for an unconditional holdover of tax for the year of assessment 2007/08 and also purchased tax reserve certificate for the year of assessment 2007/08 as directed by the Commissioner of the IRD pending the decision of the objection review. On 30 June 2014, PCP submitted a further objection letter to the IRD explaining the grounds in detail.

Up to the date of this announcement, the objections for the additional tax assessments for the years of assessment 2006/07 and 2007/08 are yet to be settled. Based on the assessment of the Group's professional advisers on the merits of PCP's objections, the directors consider that it is not probable that an outflow of resources embodying economic benefits will be required to settle the present legal obligation. As such, no provision has been made in the accounts in this regard.

10. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2014 includes a loss of approximately HK$2,972,000 (2013: a profit of approximately HK$9,284,000), which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2014	2013
	HK$'000	*HK$'000*
Amount of consolidated (loss)/profit for the year dealt with in the Company's financial statements	**(2,972)**	9,284
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**17,955**	15,993
Company's profit for the year	**14,983**	25,277

11. DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
2013 Final dividend paid — HK$0.04 (2013: 2012 Final dividend — HK$0.03) per share	**16,701**	12,526
2014 Interim dividend declared and paid — HK$Nil (2013: 2013 Interim dividend — HK$0.025) per share	**—**	10,438
Dividends paid for the year	**16,701**	22,964

The directors of the Company proposed a final dividend of HK$0.045 (2013: HK$0.04) per share, totaling HK$18,788,000 (2013: HK$16,701,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2014 and 2013 is based on the profit for the year and assuming the shares were in issue during the current and prior years, calculated as follows:

Earnings	**2014** *HK$'000*	2013 *HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**51,349**	73,145

Number of shares	**2014**	2013
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 year ended 31 December 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 for shares.

13. TRADE AND OTHER RECEIVABLES

	2014 *HK$'000*	2013 *HK$'000*
Trade receivables	**705,269**	825,562
Less: Accumulated impairment losses	**(7,130)**	(9,912)
	698,139	815,650
Other receivables	**15,437**	7,116
Deposits and prepayments	**15,729**	31,277
	729,305	854,043

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

	2014 *HK$'000*	2013 *HK$'000*
Within 1 month	**369,487**	465,715
Over 1 month but within 3 months	**293,507**	296,439
Over 3 months but within 1 year	**32,528**	52,981
Over 1 year	**2,617**	515
	698,139	815,650

The average 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:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**143,158**	123,619
Over 1 month but within 3 months	**36,192**	21,697
Over 3 months but within 1 year	**17,299**	35,807
Over 1 year	**2,490**	350
	199,139	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.

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

	2014	2013
	HK$'000	*HK$'000*
At beginning of year	**9,912**	8,354
(Reversal of provision)/provision of impairment loss recognised	**(1,941)**	2,023
Uncollectible amounts written off	**(850)**	(472)
Exchange difference	**9**	7
At end of year	**7,130**	9,912

14. INVENTORIES

	2014	2013
	HK$'000	*HK$'000*
Raw materials	**491,651**	467,253
Work-in-progress	**30,801**	27,754
Finished goods	**406,393**	406,845
	928,845	901,852
Less: Provision for obsolete inventories	**(39,047)**	(47,538)
	889,798	854,314

15. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**680,823**	693,421
Other payables and accruals	**164,611**	176,176
	845,434	869,597

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:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**373,535**	345,942
Over 1 month but within 3 months	**287,621**	313,843
Over 3 months but within 1 year	**16,683**	29,182
Over 1 year	**2,984**	4,454
	680,823	693,421

16. BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Import loans — secured	**679,709**	787,835
Bank loans — secured	**7,250**	24,165
Discounted bills	**16,910**	11,111
	703,869	823,111

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

	2014	2013
	HK$'000	*HK$'000*
On demand or within 1 year	**703,869**	815,861
Over 1 year but within 2 years	**—**	7,250
	703,869	823,111

17. SHARE CAPITAL

	2014		2013	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each	**417,518,668**	**41,752**	417,518,668	41,752

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4.5 cents per share for the year ended 31 December 2014 be paid on or before 15 July 2015 (Wednesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 3 July 2015 (Friday). The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") to be held on 26 June 2015 (Friday).

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 26 June 2015 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2014 Annual Report in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

(a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 June 2015 (Tuesday) to 26 June 2015 (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 22 June 2015 (Monday) for registration of the relevant transfer.

(b) The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for the proposed final dividend is at the close of business on 3 July 2015 (Friday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 6 July 2015 (Monday) to 8 July 2015 (Wednesday) (both days inclusive), during which time no transfer of shares will be registered. In order to qualify for the proposed final dividend, 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 3 July 2015 (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 year 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, fitness electronic products, Light Emitting Diode ("LED") modules and a number of other customers. Beside the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

Business Performance

The Group's total revenue has been increased by HK$92.1 million or 1.9%, from HK$4,803.1 million in 2013 to HK$4,895.2 million in 2014. It was mainly due to an increase in the Asia Pacific ("APAC"), North and Latin America ("NALA"), and People's Republic of China ("PRC") market/region by a total of HK$240.8 million, which fully offset the decline in the Europe, Middle East, Africa and India ("EMEAI") region by HK$148.6 million or 15.3% from HK$968.7 million in 2013 to HK$820.1 million in 2014.

APAC region

APAC region experienced an increase in revenue by HK$107.9 million or 5.0%, from HK$2,138.3 million in 2013 to HK$2,246.2 million in 2014. This was mainly resulted from an increase in sales of video graphics cards to the ODM/OEM contracting manufacturing customers and the own brands business in the region.

EMEAI region

EMEAI region experienced a decline in revenue of HK$148.6 million or 15.3%, from HK$968.7 million in 2013 to HK$820.1 million in 2014. This was mainly attributable to decline in orders from EMS customers purchasing LED modules by HK$45.3 million or 63.0% from HK$71.9 million in 2013 to HK$26.6 million in 2014; and termination of the business with the customer of Internet Media Tablets during the year which resulted in a decline on revenue for HK$47.1 million.

NALA region

NALA region recorded a growth in revenue of HK$56.4 million or 8.2%, from HK$691.0 million in 2013 to HK$747.4 million in 2014. It was mainly attributable to revenue contribution from an increase of own brand business on both the video graphics cards and the other PC related products and components for HK$83.8 million or 28.8% from HK$290.5 million in 2013 to HK$374.3 million in 2014.

PRC region

PRC region recorded a growth in revenue of HK$76.5 million or 7.6%, from HK$1,005.0 million in 2013 to HK$1,081.5 million in 2014. This was mainly attributed to the sales increment in video graphics cards in the region.

OUTLOOK

Most major foreign currencies experienced depreciation against United States Dollar and the European debt crisis remain unresolved. With the uncertainties under the macroeconomic environment such as the recent Russia's financial crisis and the political turmoil in Eastern Europe may lower the demand for high-end computer and electronic products. Fortunately, the U.S. economy is relatively stable with signs of a gradual pick-up in domestic consumption. With strong fundamentals built up over the years, the Group will leverage its core technical strength and know-how to deliver more cost effective and innovative products and solutions to meet with the market demand. We will also speed up the automation process and continue to improve operational efficiency in order to reduce the potential impact of additional labour cost arose from the purposed increase of minimum wages to the Group.

In addition, the Group will continue to expand its business network and channels and strengthen the promotion of its brand name and products. We will continue to capture potential business opportunities under the EMS segment and allocate more resources on those business areas with prosperous growth potentials. Nevertheless, we will also seek for potential acquisition opportunities that can generate synergy with our existing business in order to maximize return to our shareholders.

FINANCIAL REVIEW

Revenue

The Group's total revenue has been increased by HK$92.1 million or 1.9%, from HK$4,803.1 million in 2013 to HK$4,895.2 million in 2014. It was mainly attributable to the increase in revenue on video graphics cards and other PC related products and components by HK$38.9 million and HK$112.9 million respectively, which was fully offset by the decrease in revenue from EMS by HK$59.8 million.

Revenue from video graphics cards increased by HK$38.9 million or 1.2%, from HK$3,347.7 million in 2013 to HK$3,386.6 million in 2014. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK$164.2 million or 8.7%, from HK$1,884.7 million in 2013 to HK$2,048.9 million in 2014, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK$125.2 million or 8.6%, from HK$1,463.0 million in 2013 to HK$1,337.8 million in 2014.

Revenue derived from the EMS businesses decreased by HK$59.8 million or 5.8%, from HK$1,024.6 million in 2013 to HK$964.8 million in 2014. The decrease was mainly due to a decrease in sales of LED modules and termination of business on Internet Media Tablets and flash memory modules which was partially offset by higher demand in both POS and ATM systems, fitness electronic products, and other EMS products.

Revenue from other PC related products and components increased by HK$112.9 million or 26.2%, from HK$430.8 million in 2013 to HK$543.7 million in 2014. The increase was mainly attributable to increase in sales of mini-PCs and trading in components during the year.

Gross Profit and Margin

The gross profit of the Group for 2014 was HK$479.0 million, representing an increase of HK$0.6 million or 0.1% compared with HK$478.4 million in 2013. Gross profit margin for 2014 has been decreased by 0.2 percentage points from 10.0% in 2013 to 9.8% in 2014. This was mainly due to a decline on gross profit margin for the first half year in 2014 with gross profit margin at 8.9%; the gross profit margin for the second half year in 2014 has been improved to 10.6% which resulted in 9.8% for the full year in 2014. Operational efficiency has been improved as a result of the reduction of conversion cost to revenue ratio from 5.8% in 2013 to 5.1% in 2014, which has partially offset the increase on material cost to revenue ratio from 84.2% in 2013 to 85.1% in 2014.

Profit for the year

The profit for the year in 2014 was HK$51.3 million, representing a decrease of HK$21.8 million or 29.8% over 2013 of HK$73.1 million. The decrease of the profit for the year was mainly due to net exchange losses on Renminbi for HK$14.9 million and the net fair value losses on derivative financial instruments on Renminbi for HK$14.2 million.

Selling and distribution expenses decreased by HK$1.1 million or 1.2%, from HK$95.5 million in 2013 to HK$94.4 million in 2014. Selling and distribution expense to revenue ratio has been decreased by 0.1 percentage point from 2.0% in 2013 to 1.9% in 2014. This was mainly attributable to the reduction of marketing spending in the second half year.

Administrative expenses increased by HK$4.5 million or 1.5%, from HK$296.3 million in 2013 to HK$300.8 million in 2014. It was mainly due to higher staff costs which due to salary increment which offset the savings on other administrative items.

Finance costs were flatted at approximately HK$10.8 million in 2013 and 2014 as the bank interest rates remained stable.

Income tax expense was increased by HK$0.8 million or 6.2%, from HK$12.8 million in 2013 to HK$13.6 million in 2014. It was mainly due to higher profit tax being incurred in a Korea subsidiary.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for 2014 was HK$51.3 million, representing a decrease of HK$21.8 million compared with 2013 of HK$73.1 million. Net profit margin decreased by 0.5 percentage points from 1.5% in 2013 to 1.0% in 2014.

Basic earnings per share were decreased by HK5.2 cents, to HK12.3 cents for 2014 as compared with HK17.5 cents for 2013. The Directors proposed a final dividend of HK4.5 cents per share for 2014, which is estimated to amount to approximately HK$18.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds have been increased by HK$34.2 million or 4.4%, from HK$781.6 million in 2013 to HK$815.8 million in 2014.

Financial Position

The Group has total current assets of HK$2,330.0 million as at 31 December 2014 and HK$2,398.4 million as at 31 December 2013. The Group's total current liabilities amounted to HK$1,580.9 million as at 31 December 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, increased by 0.1 from 1.4 as at 31 December 2013 to 1.5 as at 31 December 2014.

The Group's cash and bank balances increased from HK$689.0 million as at 31 December 2013 to HK$709.1 million as at 31 December 2014. Based on the borrowings of HK$703.9 million as at 31 December 2014 and HK$823.2 million as at 31 December 2013, and total equity of HK$815.8 million as at 31 December 2014 and HK$781.6 million as at 31 December 2013, the Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) reduced from 17.2% as at 31 December 2013 to a negative value of 0.6% as at 31 December 2014. The decrease in net debts to equity ratio was mainly attributable to higher cash and bank balances and total equity with lower borrowings as at 31 December 2014.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2014, 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 2014 were HK$889.8 million, increased by HK$35.5 million or 4.2% as compared with HK$854.3 million as at 31 December 2013. It was mainly due to additional raw material planned for production close down during the Chinese New Year. Therefore, the inventory turnover days increased from 66 days as at 31 December 2013 to 72 days as at 31 December 2014.

Trade receivables as at 31 December 2014 were HK$698.1 million, decreased by HK$117.6 million or 14.4% as compared with HK$815.7 million as at 31 December 2013. Trade receivable turnover days decreased from 63 days as at 31 December 2013 to 56 days as at 31 December 2014.

Trade payables as at 31 December 2014 was HK$680.8 million, decreased by HK$12.6 million or 1.8% as compared with HK$693.4 million as at 31 December 2013. Trade payable turnover days increased from 53 days as at 31 December 2013 to 57 days as at 31 December 2014.

Charge on Assets

As at 31 December 2014, 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$10.6 million on capital expenditure in 2014. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments

As at 31 December 2014, total capital commitments amounted to HK$0.4 million.

Contingencies

(i) As at 31 December 2014, there is an open litigation between Archos SA ("Archos") and PC Partner Limited ("PCP"), a wholly-owned subsidiary of the Company in Hong Kong for an amount of approximately HK$36.4 million. As the litigation is at an early stage, the management has insufficient information to estimate financial impact and outcome of the litigation. Management is of the view that Archos' claim is without merit and PCP will contest vigorously. Accordingly, no provision has been made in the Company's consolidated financial statements.

(ii) On 21 November 2014, Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor, LLC ("Samsung") had filed a complaint in U.S. International Trade Commission ("USITC") against NVIDIA Corporation, and fourteen NVIDIA customers, including the Group's wholly-owned subsidiaries Zotac USA Inc. and Zotac International (Macao Commercial Offshore) Ltd. (collectively, "Respondents"), alleging that they engaged in unfair trade practices by making for importation into the United States, certain graphics processing chips and systems on a chip. Samsung's complaint with the USITC seeks an exclusion order that would bar from entry into the United States any graphics processing chips and systems on a chip that are imported by or on behalf of Respondents, and also seeks a cease and desist order to bar further sales of infringing products that have already been imported into the United States. 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 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 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 2014, the Group has applied HK$17.7 million on expansion of production facilities, HK$22.5 million on promotion and development of new products and brand name, HK$17.4 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 4,071 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 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 2014, 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 2014, 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 2014.

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 2014 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 2014 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, 23 March 2015

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*