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 2015

FINANCIAL HIGHLIGHTS

	Period ended 30 June		
	2015	2014	Change
	HK$ million	*HK$ million*	*HK$ million*
Turnover	**2,075.6**	2,403.7	–328.1
Gross profit	**172.5**	214.2	–41.7
(Loss)/profit for the period	**(28.0)**	5.6	–33.6
Gross profit %	**8.3%**	8.9%	–0.6%
Net (loss)/profit %	**(1.3%)**	0.2%	–1.5%

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 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Notes	**30 June 2015** *HK$'000* **(Unaudited)**	30 June 2014 *HK$'000* (Unaudited)
Turnover	3, 4	**2,075,609**	2,403,692
Cost of sales		**(1,903,138)**	(2,189,488)
Gross profit		**172,471**	214,204
Other revenue and other gains and losses	5	**(1,226)**	(5,270)
Selling and distribution expenses		**(40,773)**	(49,422)
Administrative expenses		**(153,440)**	(142,785)
Finance costs	6	**(5,265)**	(6,076)
(Loss)/profit before income tax	7	**(28,233)**	10,651
Income tax credit/(expense)	8	**246**	(5,087)
(Loss)/profit for the period		**(27,987)**	5,564
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(477)**	607
Total comprehensive income for the period		**(28,464)**	6,171
(Loss)/earnings per share		***HK$***	*HK$*
— Basic and diluted	10	**(0.07)**	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000
Non-current assets			
Property, plant and equipment		**31,279**	41,160
Intangible assets		**6,561**	6,704
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,727**	1,727
Total non-current assets		**60,559**	70,583
Current assets			
Inventories		**741,807**	889,798
Trade and other receivables	11	**592,173**	729,305
Current tax recoverable		**1,417**	1,420
Pledged time deposits		**426**	427
Cash and cash equivalents		**615,405**	709,080
Total current assets		**1,951,228**	2,330,030
Total assets		**2,011,787**	2,400,613
Current liabilities			
Trade and other payables	12	**697,382**	845,434
Borrowings		**527,485**	703,869
Provisions		**5,069**	4,823
Obligations under finance leases		**16**	15
Derivative financial liabilities		**10,157**	10,327
Current tax liabilities		**3,047**	16,479
Total current liabilities		**1,243,156**	1,580,947
Net current assets		**708,072**	749,083
Total assets less current liabilities		**768,631**	819,666
Non-current liabilities			
Obligations under finance leases		**59**	12
Derivative financial liabilities		**—**	3,830
Deferred tax liabilities		**1**	1
Total non-current liabilities		**60**	3,843
NET ASSETS		**768,571**	815,823
Capital and reserves			
Share capital		**41,752**	41,752
Reserves		**726,819**	774,071
TOTAL EQUITY		**768,571**	815,823

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 2015 (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 2014 (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 2015. 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 2015	30 June 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Asia Pacific ("APAC")	**869,132**	1,145,662
North and Latin America ("NALA")	**299,742**	361,910
People's Republic of China ("PRC")	**589,907**	549,747
Europe, Middle East, Africa and India ("EMEAI")	**316,828**	346,373
	2,075,609	2,403,692

(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 2015	30 June 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Video graphics cards	**1,554,987**	1,681,168
Electronics manufacturing services	**317,811**	415,723
Other PC related products and components	**202,811**	306,801
	2,075,609	2,403,692

(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 2015	30 June 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A *(Note a)*	**N/A**	276,191
Customer B *(Note b)*	**395,567**	N/A

Notes:

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

(b) Revenue from this customer was derived from sales of video graphics cards and solid state drivers in the PRC. Its revenue in 2014 did not contribute 10% or more of the Group's revenue.

5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Interest income	**1,669**	1,363
Net exchange losses	**(6,469)**	(10,793)
Net fair value gains on derivative financial instruments	**180**	1,946
Gain on disposal of property, plant and equipment	**—**	220
Sundry income	**3,394**	1,994
	(1,226)	(5,270)

6. FINANCE COSTS

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	**5,265**	6,076

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	30 June 2015 HK$'000 (Unaudited)	30 June 2014 HK$'000 (Unaudited)
Inventories recognised as expense	**1,888,743**	2,174,525
Provision for obsolete inventories	**14,395**	14,963
Cost of sales	**1,903,138**	2,189,488
Staff costs *(Note a)*	**161,898**	181,632
Auditor's remuneration	**635**	493
Depreciation of property, plant and equipment	**13,503**	17,124
Amortisation of intangible assets	**143**	144
Provision/(reversal of provision) for impairment losses on trade and other receivables *(Note c)*	**1,166**	(538)
Operating lease payments on plant and machinery	**126**	119
Operating lease payments on premises	**18,768**	16,902
Property, plant and equipment written off	**—**	1
Provision/(reversal of provision) for product warranties and returns	**490**	(2,293)
Research and development expenditure *(Note b)*	**20,090**	19,287

Notes:

(a) Staff costs consist of share-based payment of HK$Nil for the six months ended 30 June 2015 (2014: HK$119,000).

(b) The research and development expenditure for the period includes HK$20,090,000 (2014: HK$19,287,000) 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.

(c) The provision for impairment losses on trade and other receivables includes HK$1,371,000 (2014: HK$Nil) relating to the legal case with Archos SA.

8. INCOME TAX (CREDIT)/EXPENSE

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

	30 June 2015 *HK$'000* **(Unaudited)**	30 June 2014 *HK$'000* (Unaudited)
Current tax — Hong Kong		
— provision for the period	**36**	3,510
Current tax — PRC		
— provision for the period	**229**	1,508
— (over)/under provision in respect of prior year	**(510)**	18
Current tax — others		
— provision for the period	**65**	16
— (over)/under provision in respect of prior year	**(66)**	35
Income tax (credit)/expense	**(246)**	5,087

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

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

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the six months ended 30 June 2015. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the High Technology Enterprise status during 2012 and the applicable PRC enterprise income tax rate is 15% (2014: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2014: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2015.

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

9. DIVIDEND

	30 June 2015 *HK$'000* **(Unaudited)**	30 June 2014 *HK$'000* (Unaudited)
2014 Final dividend paid — HK$0.045 (2014: 2013 Final dividend — HK$0.04) per share	**18,788**	16,701

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 2014.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share for the six months ended 30 June 2015 and 2014 is based on the (loss)/profit for the periods and assuming the shares were in issue during the current and prior periods, calculated as follows:

(Loss)/earnings

	30 June 2015 *HK$'000* **(Unaudited)**	30 June 2014 *HK$'000* (Unaudited)
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	**(27,987)**	5,564

Number of shares

	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**417,518,668**	417,518,668
Effect of dilutive potential ordinary shares: — share options	**—**	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**417,518,668**	417,518,668

The computation of diluted (loss)/earnings per share for the six months ended 30 June 2015 and 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 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000*
Trade receivables	**559,603**	705,269
Less: Accumulated impairment losses	**(8,291)**	(7,130)
	551,312	698,139
Other receivables	**27,984**	15,437
Deposits and prepayments	**12,877**	15,729
	592,173	729,305

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

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000*
Within 1 month	**341,817**	369,487
Over 1 month but within 3 months	**151,896**	293,507
Over 3 months but within 1 year	**55,123**	32,528
Over 1 year	**2,476**	2,617
	551,312	698,139

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

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

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000*
Within 1 month	**77,421**	143,158
Over 1 month but within 3 months	**39,215**	36,192
Over 3 months but within 1 year	**37,703**	17,299
Over 1 year	**2,094**	2,490
	156,433	199,139

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

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

12. TRADE AND OTHER PAYABLES

	30 June 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000*
Trade payables	**544,607**	680,823
Other payables and accruals	**152,775**	164,611
	697,382	845,434

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 2015 *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000*
Within 1 month	**369,806**	373,535
Over 1 month but within 3 months	**164,941**	287,621
Over 3 months but within 1 year	**6,644**	16,683
Over 1 year	**3,216**	2,984
	544,607	680,823

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 and 2014.

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 2015, the total revenue of the Group has declined by HK$328.1 million, or 13.6%, from HK$2,403.7 million in the first half of 2014 to HK$2,075.6 million in the first half of 2015. Such decline was mainly resulted from demands declined on video graphics cards from ODM/OEM basis customers together with less order received from EMS basis customers which was mainly attributable to the slowdown of the global economy. Video graphics cards business remained to be major contribution representing 74.9% of the Group's total sales revenue in the first half of 2015, as compared to 69.9% for the same period in last year. EMS and other PC products and components segments represented 15.3% and 9.8% of the overall sales revenue for the period under review.

The weak economy together with the strong U.S. Dollar have resulted in a significant impact to both the Asia Pacific ("APAC") region and Europe, Middle East, Africa and India ("EMEAI") region which recorded a decline on sales by HK$276.6 million and HK$29.6 million respectively. The People's Republic of China ("PRC") region has achieved a growth of HK$40.2 million from own brand video graphics cards business. North and Latin America ("NALA") region has also recorded a decline of HK$62.2 million.

APAC Region

In the APAC region, the revenue significantly decreased from HK$1,145.7 million in the first half of 2014 to HK$869.1 million in the first half of 2015. It was mainly due to a significant decline on orders of video graphics cards from the ODM/OEM basis customers.

EMEAI Region

In the EMEAI region, the revenue amounted to HK$316.8 million, representing a decrease of HK$29.6 million, or 8.5%, as compared to HK$346.4 million for the same period in last year. It was mainly due to a decline in orders from an EMS customer for POS and ATM systems.

NALA Region

In the NALA region, the revenue declined from HK$361.9 million for the first half in 2014, representing a decrease of HK$62.2 million, or 17.2%, to HK$299.7 million for the first half in 2015. The decrease was mainly resulted from declining orders from both the ODM/OEM basis customer on video graphics cards and the customers under EMS segment.

PRC Region

In the PRC region, the revenue recorded a growth to HK$589.9 million, representing an increase of HK$40.2 million, or 7.3%, as compared to HK$549.7 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 2015.

Outlook

The slowdown of the global economy together with the strong U.S. Dollar have an adverse impact on the purchasing power in different regions and countries that resulted from demands decline on high value electronic products for the first half year in 2015. It is expected the situation will be improved in the last quarter of this year as many customers shall replenish their inventory for the holiday seasons. In addition, the operating environment of video graphics cards remain challenging with market uncertainties as it is anticipated that the volume would decline continuously on the mainstream segment but the Group expects both the performance and the enthusiast segments will continue to grow on a steady basis. The recent deprecation of Renminbi would also help to ease the cost pressure of the manufacturing arms.

Based on the latest business development status, second half remains challenging, however, the Group remains cautiously optimistic for business in the long run because more orders from EMS customer, a strong demand in the other PC related products and components segment, and a potential investment and diversification into other electronic sectors are expected. 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 a strong brand image.

Financial Review

Revenue

During the period under review, the Group's total revenue decreased by HK$328.1 million, or 13.6%, from HK$2,403.7 million in the first half of 2014 to HK$2,075.6 million in the first half of 2015. It was mainly due to a decrease in revenue in all business segments, video graphics cards, electronic manufacturing services, and other PC related products and components.

Revenue from the video graphics cards has decreased by HK$126.2 million, or 7.5%, from HK$1,681.2 million in the first half of 2014 to HK$1,555.0 million in the first half of 2015. It was mainly due to a decline in demand on ODM/OEM contract manufacturing businesses by HK$270.6 million, or

37.6%, from HK$720.3 million in the first half of 2014 to HK$449.7 million in the first half of 2015; which has fully offset the growth on own brand business that has been increased by HK$144.4 million, or 15.0%, from HK$960.9 million in the first half of 2014 to HK$1,105.3 million in the first half of 2015.

Revenue derived from the EMS business amounted to HK$317.8 million, representing a decrease of HK$97.9 million, or 23.6%, as compared to HK$415.7 million for the same period in last year. The decline was mainly due to a decrease in orders of POS and ATM systems which recorded a decrease of HK$83.6 million, or 29.2%, from HK$286.5 million in the first half of 2014 to HK$203.0 million in the first half of 2015.

Revenue from other PC related products and components decreased by HK$104.0 million, or 33.9%, from HK$306.8 million in the first half of 2014 to HK$202.8 million in the first half of 2015. The decline was mainly due to a decrease in sales of all business segments during the period under review.

Gross Profit and Margin

The Group's gross profit was HK$172.5 million, representing a decrease of HK$41.7 million, or 19.5%, compared with HK$214.2 million in the first half of 2014. Gross profit margin decreased by 0.6 percentage point to 8.3% compared with 8.9% in the first half of 2014. It was mainly due to an increase in material cost to sales ratio by 1.2% which offset the savings from the conversion costs which consisted of labour cost, subcontracting fee, and production overheads by 0.6% for the period under review.

The increase in material cost to sales ratio was mainly resulted from an increase of the ratio on ODM/OEM basis video graphics cards business by 3.4% but has been partially offset by a decrease of the ratio on own brand video graphics cards by 2.0% as compared to the same period last year. In addition, the decline in orders from EMS business together with decrease in the other PC related products and components business segment, resulted in a further decline in the Group's gross profit for the period under review.

(Loss)/Profit for The Period

The Group recorded a loss of HK$28.0 million in the first half of 2015 as compared with a profit of HK$5.6 million for the same period in last year. It was mainly due to a significant decline in gross profit being contributed as sales decrease in high profit margin segments for the period under review. In addition, the operating expenses as a percentage on sales has been increased by 1.4 percentage point from 8.2% in the first half of 2014 to 9.6% in the first half of 2015 as operating expenses have been increased by HK$1.2 million, or 0.6%, from HK$198.3 million in the first half of 2014 to HK$199.5 million in the first half of 2015.

Selling and distribution expenses decreased by HK$8.7 million, or 17.5%, from HK$49.4 million for the six months ended 30 June 2014 to HK$40.8 million for the six months ended 30 June 2015. It was mainly due to decrease in freight and transportation expenses, commission expenses, retained fees and marketing development funds to align on sales decline during the period under review.

Administrative expenses increased by HK$10.7 million, or 7.5%, from HK$142.8 million for the six months ended 30 June 2014 to HK$153.4 million for the six months ended 30 June 2015. Staff costs represented 73.2% out of the total administrative expenses for the period under review. Staff costs has been increased by HK$9.8 million, or 9.5% from HK$102.6 million for the six months ended 30 June 2014 to HK$112.4 million for the six months ended 30 June 2015. The increment was mainly due to salary increment expenses incurred and additional staff headcounts being increased by 2.3%

for the period under review. The rest of the administrative expense has been increased by HK$0.8 million, or 2.2%, from HK$40.2 million for the six months ended 30 June 2014 to HK$41.0 million for the six months ended 30 June 2015.

Finance costs decreased by HK$0.8 million or 13.3%, from HK$6.1 million for the six months ended 30 June 2014 to HK$5.3 million for the six months ended 30 June 2015. It was mainly resulted from a lower utilisation of the bank borrowings during the period under review.

Income tax expense was resulted in a gain position as a subsidiary in China reversed the over-provision for HK$0.5 million during the period under review.

Profit Attributable to Shareholders and Dividends

The loss attributable to shareholders of the Group was HK$28.0 million which resulted in a loss of HK7 cents per share. Since the Group operated in a loss position for the period under review, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds decreased by HK$47.2 million, from HK$815.8 million as at 31 December 2014 to HK$768.6 million as at 30 June 2015.

Financial Position

The Group had total current assets of HK$1,951.2 million as at 30 June 2015 and HK$2,330.0 million as at 31 December 2014. The Group's total current liabilities amounted to HK$1,243.2 million as at 30 June 2015 and HK$1,580.9 million as at 31 December 2014. The Group's current ratio, defined as total current assets over total current liabilities, improved from 1.5 as at 31 December 2014 to 1.6 as at 30 June 2015.

The Group's cash and cash equivalents decreased from HK$709.1 million as at 31 December 2014 to HK$615.4 million as at 30 June 2015. Based on the borrowings of HK$527.5 million as at 30 June 2015 and HK$703.9 million as at 31 December 2014, and the total equity of HK$768.6 million as at 30 June 2015 and HK$815.8 million as at 31 December 2014, the Group's gearing ratio (being net debts divided by total equity) decreased from a negative value of 0.6% as at 31 December 2014 to a negative value of 11.4% as at 30 June 2015. The decrease in gearing ratio was mainly resulted from lower borrowings as at 30 June 2015.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2015, 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 2015 was HK$741.8 million, decreased by HK$148.0 million, or 16.6%, as compared with HK$889.8 million as at 31 December 2014. Inventory turnover days increased from 72 days for the year ended 31 December 2014 to 78 days for the six months ended 30 June 2015.

Trade receivables as at 30 June 2015 were HK$551.3 million, decreased by HK$146.8 million or 21.0% as compared with HK$698.1 million as at 31 December 2014. Trade receivable turnover days decreased from 56 days for the year ended 31 December 2014 to 54 days for the six months ended 30 June 2015.

Trade payables as at 30 June 2015 was HK$544.6 million, decreased by HK$136.2 million, or 20.0%, as compared with HK$680.8 million as at 31 December 2014. Trade payable turnover days increased from 57 days for the year ended 31 December 2014 to 58 days for the six months ended 30 June 2015.

Charge on Assets

As at 30 June 2015, bank deposit of HK$0.4 million was pledged to bank to secure general banking facilities granted to the Group.

Capital Expenditure

For the six months ended 30 June 2015, the Group invested HK$3.6 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 2015, total capital commitments amounted to HK$1.4 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 2015, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK$1.6 per 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 2015, the Group has applied HK$18.9 million on expansion of production facilities, HK$24.0 million on promotion and development of new products and brand name, HK$21.6 million on research and development, and HK$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 3,189 employees (2014: 4,071 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance-related bonuses may also be awarded to 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 2015.

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 2015, 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 2015, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and balance management organisation that enables the Group to operate effectively. The Board currently comprises of five executive Directors, one non-executive Director and three independent non-executive Directors and therefore has sufficient independent elements in its composition.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015.

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 2015 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, 28 August 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 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*