於開曼群島註冊成立之有限公司
Incorporated in the Cayman Islands with limited liability
股份代號 ：1263
Stock Code : 1263

Offering

保薦人
華高和昇財務顧問有限公司

聯席牽頭包銷商
華高和昇財務顧問有限公司
聯發證券有限公司

Sponsor
WAG WORLDSEC CORPORATE FINANCE LIMITED

Joint Lead Underwriters
WAG WORLDSEC CORPORATE FINANCE LIMITED
LUEN FAT SECURITIES COMPANY LIMITED

PC Partner Group Limited
栢能集團有限公司*

* For identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

PC PARTNER GROUP LIMITED
栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

OFFERING

Total number of Offer Shares under the Offering	:	105,000,000 Shares comprising 87,000,000 new Shares and 18,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	10,500,000 Shares (subject to adjustment)
Number of Placing Shares	:	94,500,000 Shares comprising 76,500,000 new Shares and 18,000,000 Sale Shares (subject to the Over-allotment Option and adjustment)
Offer Price	:	HK$1.60 per Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal value	:	HK$0.10 per Share
Stock code	:	1263

Sponsor

WAG WORLDSEC CORPORATE FINANCE LIMITED

Joint Lead Underwriters

WAG WORLDSEC CORPORATE FINANCE LIMITED

LUEN FAT SECURITIES COMPANY LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Investors applying for Public Offer Shares must pay the Price of HK$1.60 per Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.003%. The Offer Price and the number of Offer Shares offered in the Offering stated in this prospectus will not change (subject to the Over-allotment Option). Further details are set out in the sections headed "Structure and conditions of the Offering" and "How to apply for the Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus. Pursuant to the termination provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer Shares, the Sponsor (on behalf of the Underwriters) has the right in certain circumstances, in its sole and absolute discretion, to terminate the obligations of the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement at any time at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Grounds for termination" in this prospectus. It is important that you refer to the said sections for further details.

* *For identification purpose only*

29 December 2011

You should rely only on the information contained in this prospectus and the related application forms to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the related application forms.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Joint Lead Underwriters, the Underwriters, any of their respective directors or any other person or party involved in the Offering.

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If there is any change to the following expected timetable for the Public Offering, the Company will issue an announcement to be published in English in South China Morning Post and in Chinese in the Hong Kong Economic Journal.

	2012 *(Note 1)*
Application lists open *(Note 2)*	11:45 a.m. on Thursday, 5 January
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at www.eipo.com.hk	11:30 a.m. on Thursday, 5 January
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfers or PPS payment transfers	12:00 noon on Thursday, 5 January
Latest time for lodging **WHITE** and **YELLOW** application forms and **giving electronic application instructions** *(Note 3)* to HKSCC	12:00 noon on Thursday, 5 January
Application lists close *(Note 2)*	12:00 noon on Thursday, 5 January
Announcement of indication of the level of interests in the Placing, and the level of applications and basis of allocation of the Public Offer Shares to be published in South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the Company's website at www.pcpartner.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Wednesday, 11 January
Announcement of the results of allocations (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels as described under the paragraph headed "Publication of results" in the section headed "How to apply for the Public Offer Shares" in this prospectus on or before	Wednesday, 11 January

Result of allocations in the Public Offering will be available at www.iporesults.com.hk with a "search by ID" function from . . . . Wednesday, 11 January

Share certificates in respect of wholly or partially successful applications to be despatched on or before *(Notes 5 to 7)* . . . . Wednesday, 11 January

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be despatched on or before *(Notes 4 to 7)*. . . . . Wednesday, 11 January

Dealings in the Shares on the Main Board of the Stock Exchange to commence on. . . . . 9:00 a.m. on Thursday, 12 January

Notes:

1. All times refer to Hong Kong local time, except as otherwise stated. Details of the structure and conditions of the Offering, including its conditions, are set out in the section headed "Structure and conditions of the Offering" in this prospectus.

2. If there is a "**black**" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 January 2012, the application lists will not open on that day. Further information is set out in the paragraph headed "Effect of bad weather on the opening of the application lists" under the section headed "How to apply for the Public Offer Shares" in this prospectus.

3. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — How to apply by giving **electronic application instructions** to HKSCC" in this prospectus.

4. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offering. Part of the applicant's Hong Kong Identity Card number/passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by the applicant may be printed on the applicant's refund cheque(s), if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of the applicant's Hong Kong Identity Card numbers/passport numbers before encashment of the refund cheque(s). Inaccurate completion of the applicant's Hong Kong Identity Card numbers/passport numbers in the application forms may lead to delay in encashment of or may invalidate the refund cheque(s).

5. Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offering on **WHITE** application forms and have indicated on their application forms that they wish to collect refund cheque(s) and/or share certificate(s) in person from the Company's Hong Kong Share Registrar may collect refund cheque(s) and/or share certificate(s) in person from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 January 2012. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification and (where applicable) authorisation documents acceptable to the Company's Hong Kong Share Registrar must be produced at the time of collection.

6. Applicants who apply for 1,000,000 Public Offer Shares or more under the Public Offering on **YELLOW** application forms and have indicated on their application forms that they wish to collect refund cheque(s) in person may collect their refund cheque(s) (if any) but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** application forms are the same as those for **WHITE** application form applicants.

7. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant application forms. Further details are set out in the paragraph headed "Despatch/collection of Share certificates and refund of application money" under the section headed "How to apply for the Public Offer Shares" in this prospectus.

Share certificates for the Public Offer Shares are expected to be issued on Wednesday, 11 January 2012, but will only become valid certificates of title provided that (i) the Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For details of the structure of the Offering, including the conditions thereof, please refer to the section headed "Structure and conditions of the Offering" in this prospectus.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk factors", and you should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group, founded in 1997, is a manufacturer of video graphics cards for personal computers ("PC"). Video graphics cards were the Group's core products and revenue driver for the three years ended 31 December 2010 and in the six months ended 30 June 2011. The Group is principally engaged in the design, development and manufacture of video graphics cards. The Group also provides Electronics Manufacturing Service ("EMS") and manufactures other PC related products.

In 2008, the Group acquired a 60% interest in each of ASK Group and Manli Group to further strengthen its position in the video graphics cards market as well as the development of the business of the Group's own brands. After the completion of the Group's Reorganisation (as described in the section headed "History and Development — Reorganisation" in this prospectus), both ASK Group and Manli Group have become wholly owned subsidiaries of the Group.

According to the Synovate Report commissioned by the Group, an independent market research and consulting company, the global video graphics cards market, being the core revenue driver of the Group during the Track Record Period, recorded a total shipment output value at approximately US$6.55 billion in 2010. The Group is a manufacturer with a global market share of approximately 8.5% in terms of revenue and approximately 17.0% in terms of output quantity in 2010. The Group is selected by AMD and Sapphire as one of the manufacturers of their video graphics cards. During the Track Record Period, AMD and Sapphire were among the top 5 customers of the Group.

BUSINESS

Video graphics cards

(a) OEM/ODM contract manufacturing

The Group manufactures video graphics cards on Original Equipment Manufacturer ("OEM") and Original Design Manufacturer ("ODM") bases for its customers including AMD, Sapphire and certain computer products manufacturers. The Group's OEM/ODM contract manufacturing business is led by an executive Director based in Hong Kong and its sales representatives based in Europe, Middle East, Africa and India ("EMEAI") and North America and Latin America ("NALA"), providing sales and business development supports in those regions. Sales to the Asia Pacific region ("APAC") and the PRC are managed out of Hong Kong.

(b) The Group's brands

In addition, the Group also manufactures and/or sells video graphics cards under its own ZOTAC, Inno3D and Manli brands, and these products are sold to various regions including EMEAI, NALA, APAC and the PRC. The Group's distributors in EMEAI, APAC and the PRC are customers of the Group. The Group's subsidiaries in NALA and South Korea act as importers of ZOTAC products to the respective regions and sell such products onward to local distributors.

The Group's own ZOTAC branded video graphics cards, which target the mid to high end markets, are supported by the Group's strong manufacturing facilities. Furthermore, the Group's wholly owned subsidiary, Zotac Macao, was established in 2006 for developing channel distribution in the EMEAI region, which started in 2007. The Group also introduced its ZOTAC branded line of products to APAC, the PRC and NALA in 2007. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the revenues from ZOTAC products were approximately HK$725 million, HK$1,068 million, HK$1,487 million and HK$854 million, respectively.

EMS business

The Group's EMS division manufactures other electronic components and products such as the computer base units of point of sales ("POS") and automatic teller machines ("ATM") systems, flash memory modules and Internet Media Tablets (which are portable media players that play industrial standard video and/or audio contents) for its customers.

The EMS business of the Group is managed from the Hong Kong head office. Certain EMS customers of the Group are introduced to the Group through industry referrals from trade connections.

Other PC related products and components

The Group manufactures and sells other PC related products such as mini-PCs and motherboards under its own ZOTAC and/or Manli brands as well as deriving revenue from the trading of other PC related products and components.

The following table sets forth the revenue in each of the Group's geographical segments as a percentage of the total revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010 (unaudited)		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
APAC	2,458,149	56%	2,413,666	51%	2,660,392	48%	1,301,287	52%	1,185,991	41%
EMEAI	1,305,936	30%	1,303,012	28%	1,542,048	27%	553,251	22%	959,006	33%
NALA	362,309	8%	463,551	10%	516,419	9%	239,050	10%	283,707	10%
PRC	262,922	6%	528,973	11%	866,523	16%	390,101	16%	477,080	16%
Total	**4,389,316**	**100%**	**4,709,202**	**100%**	**5,585,382**	**100%**	**2,483,689**	**100%**	**2,905,784**	**100%**

The following table sets forth the revenue in each of the Group's product segments as a percentage of the total revenue for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Video graphics cards										
— OEM/ODM contract manufacturing	2,507,491	57%	2,453,802	52%	2,653,702	48%	1,305,653	52%	1,044,714	36%
— Group's own branded products	1,090,690	25%	1,466,289	31%	1,685,937	30%	734,305	30%	875,618	30%
	3,598,181	82%	3,920,091	83%	4,339,639	78%	2,039,958	82%	1,920,332	66%
EMS	622,012	14%	430,623	9%	753,944	13%	238,927	10%	677,627	23%
Other PC related products and components	169,123	4%	358,488	8%	491,799	9%	204,804	8%	307,825	11%
Total revenue	4,389,316	100%	4,709,202	100%	5,585,382	100%	2,483,689	100%	2,905,784	100%

Manufacturing of video graphics cards is a low margin business. The net profit margins recorded by the Group were 1.2%, 2.1%, 2.1% and 1.2% for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Any increase in the costs of labour, electricity, rent, taxation, raw materials and so forth, which the Group could not pass onto its customers, would adversely impact the Group's profitability.

Revenue from the EMEAI region grew by approximately 73% in the six months ended 30 June 2011 as compared with the six months ended 30 June 2010. Within the EMEAI region, the European countries accounted for a substantial percentage of the revenue of this geographical segment.

The growth in the EMEAI region was due to a substantial increase in sales revenue from an Internet Media Tablets provider, which is an EMS customer of the Group. The revenue from the said customer grew by approximately 426% in the six months ended 30 June 2011 as compared with the six months ended 30 June 2010. Excluding the increase in sales to this Internet Media Tablets provider, revenue from the EMEAI region grew by approximately 6% in the six months ended 30 June 2011 as compared with the six months ended 30 June 2010.

Revenue from the NALA region grew by approximately 19% in the six months ended 30 June 2011 as compared with the six months ended 30 June 2010.

The Group monitors the credits provided to its customers closely and exercises tight control to manage its credit risk. During the Track Record Period, the average trade receivables turnover days was approximately 50 days.

CUSTOMERS

The Group manufactures video graphics cards for Advanced Micro Devices, Inc. ("AMD") on an OEM basis, for Sapphire on both OEM and ODM bases, and for other computer products manufacturers (such as Hon Hai Precision) on an ODM basis. AMD is a supplier of Graphics Processing Units ("GPUs") and other semi-conductor products, and an Independent Third Party. The Group owns a 4.95% interest in Sapphire as at the Latest Practicable Date.

The Group has been one of ATI's, and successively AMD's, Manufactured-by-AMD ("MBA") video graphics cards contract manufacturers since 1998. By virtue of the aforesaid relationship, the Group has benefited from working with the latest AMD Graphics Processing Units ("GPUs"), thus positioning the Group advantageously in developing new models of video graphics cards utilising AMD's latest GPUs for its customers. AMD provides GPUs to the Group on a consignment basis. AMD retains title over such consigned GPUs. Certain components and materials such as Random Access Memory ("RAM") may be provided by AMD on a consignment basis from time to time. The Group always procures fansinks (being heatsinks (which are metal plates used to conduct and radiate heat away from an electrical component in an electrical device) that are integrated with a cooling fan) and Printed Circuit Boards ("PCBs") on behalf of AMD and such components would be accounted for as purchases of the Group and expensed as cost of sales. The Group would procure any remaining components and materials necessary for the assembly of MBA video graphics cards. Most of the components and materials are sourced from AMD approved vendors, as required.

The Group owned 40% interest in Sapphire when the latter was incorporated in 2001. Over the years, the Group's interest in Sapphire had been diluted to 4.95% which remained unchanged as at the Latest Practicable Date. The Group first manufactured video graphics cards for Sapphire in 2001. Sapphire was one of the Group's top two customers for the three years ended 31 December 2010 and in the six months ended 30 June 2011, representing 13%, 11%, 9% and 8% of the Group's total revenue, respectively. Please refer to the sections headed "Business — Products 1. Video graphics cards segment (a) ODM/OEM contract manufacturing of video graphics cards (iii) Sapphire" and "Risk factors — Reliance on Sapphire, one of the major customers" in this prospectus for more information on the relationship of the Group with Sapphire.

Sapphire, in respect of the Group's manufacturing and sales of video graphics cards on OEM/ODM bases, provides GPUs to the Group on a consignment basis and retains title over such consigned GPUs. Sapphire may also choose to provide certain other components and materials to the Group on a consignment basis and require the Group to procure any remaining components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements vary from time to time. During the Track Record Period, transactions between Sapphire and the Group were at arm's length and under normal commercial terms.

Other ODM/OEM contract manufacturing customers, such as Hon Hai Precision, which engage the Group to assemble video graphics cards, usually require the Group to procure all the components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales.

The Group is also an EMS provider, and manufactures electronic components and products according to its customers' product designs and specifications. The Group's EMS customers include providers of POS and ATM systems, flash memory modules, Internet Media Tablets and other electronic components and products.

SUPPLIERS

NVIDIA was the largest supplier of the Group. Purchases from NVIDIA accounted for approximately 27%, 36%, 33% and 28% of the Group's total purchases for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively.

AMD and NVIDIA are the two key technology providers of discrete GPUs to the manufacturers of add-in video graphics cards worldwide according to the Synovate Report. Their shares of the discrete GPU market in the first six months of 2011 were approximately 40.5% and 59.1%, respectively according to the Synovate Report. Both of them are the Group's strategic technology suppliers. The Group has been working with

ATI (which was subsequently acquired by AMD in 2006) since 1998. In 2006, the Group took a further step to cooperate with NVIDIA by commencing its NVIDIA graphics OEM and, subsequently, the Group's ZOTAC brand channel business in 2007.

The Group, through its wholly owned subsidiaries, has achieved and maintained the NVIDIA Authorised Add-in Card Partner status since 2006, through which the Group is eligible for the rebate programmes and special discounts that NVIDIA offers from time to time. The said status can also be achieved by other manufacturers.

PRODUCTION

The Group operates two factories with 42 surface mount technology ("SMT") lines, one chip-on-board ("COB") line and 24 assembly and testing lines occupying a total gross floor area of approximately 150,000 sq.m., with extensive testing and quality assurance facilities and employing 5,339 staff in Dongguan, the PRC as at 31 October 2011. The Group prides on its engineering expertise and accumulated know-how over the years in video graphics cards development. As at 31 October 2011, the Group's research and development team consisted of 125 engineers located in Hong Kong, Shenzhen, Dongguan and Taiwan.

The Directors believe that manufacturing quality products for its customers is one of the key success factors of the Group. The Group has established quality control and environmental protection systems and is accredited with ISO 9001, ISO 14001, OHSMS 18000 and QC 080000 certifications.

The Group is also reliant on the performance of its SMT manufacturing subcontractors on quality, lead time and delivery of the work-in-progress after the SMT processes because the Group has no direct control of the SMT manufacturing processes of these subcontractors. In respect of the assembly of video graphics cards for AMD and Sapphire, the Group carries out the SMT processes in-house. For further information, please refer to the section headed "Business — Production capacity and utilisation rates" in this prospectus.

REVENUE

The Group is committed to offer innovative and reliable technology products focusing on video graphics cards and the provision of EMS. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's revenue was approximately HK$4,389 million, HK$4,709 million, HK$5,585 million and HK$2,906 million, respectively. The profit for the same periods were approximately HK$54 million, HK$100 million, HK$117 million and HK$36 million, respectively.

The gross profit of the Group increased by 6.4% to HK$215 million for the six months ended 30 June 2011 from HK$202 million for the six months ended 30 June 2010. The gross profit margin of the Group was 7.4% for the six months ended 30 June 2011 as compared to 8.1% for the six months ended 30 June 2010. The decrease in gross profit margin was due to the increase in costs, largely attributable to material and labour costs, running at a rate higher than the increase in revenue.

The gross profit of the Group increased by 5.8% to HK$460 million for the year ended 31 December 2010 from HK$435 million for the year ended 31 December 2009. The gross profit margin of the Group was 8.2% for the year ended 31 December 2010 as compared to 9.2% for the year ended 31 December 2009. The decrease in gross profit margin was due to the increase in costs, largely attributable to labour costs, running at a rate higher than the increase in revenue.

The gross profit of the Group increased by 19.6% to HK$435 million for the year ended 31 December 2009 from HK$364 million for the year ended 31 December 2008. The gross profit margin of the Group was 9.2% for the year ended 31 December 2009 as compared to 8.3% for the year ended 31 December 2008. Please refer to the section headed "Financial Information — Comparison of results of operations" for further information.

Seasonality effect on the business of the Group

The business of the Group is subject to seasonality effects. Such effect had significant impact on the Group's sales revenue and financial performance during the Track Record Period. The sales of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) tended to increase in the fourth quarter of each year during the Track Record Period, which was due to the typical consumer spending pattern increasing around the Christmas and new year holidays season. The sales revenue in the fourth quarter of 2009 and 2010 represented 31% and 32% of the total sales revenue of the respective years. The Group's own brands of video graphics cards, ODM/OEM video graphics cards for the retail market, ODM/OEM video graphics cards assembled for PC manufacturer customers sold by PC Partner were subject to similar seasonality effect driven by the holidays season. The seasonality trend was also applicable to the sales of other PC related products and some of the EMS products such as Internet Media Tablets and the flash memory modules sold by PC Partner, which shared the same seasonality effect driven by the holiday seasons. As a result, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of the Group's performance. Any seasonal fluctuations which may occur in the future may not match the expectations of the Group or the Group's investors. This may affect the trading price of the Shares.

SUMMARY OF FINANCIAL INFORMATION

The following tables summarise our combined statements of comprehensive income and combined statements of financial position during the Track Record Period:

Combined statements of comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	4,389,316	4,709,202	5,585,382	2,483,689	2,905,784
Cost of sales	(4,025,349)	(4,273,862)	(5,124,759)	(2,281,977)	(2,691,054)
Gross profit	363,967	435,340	460,623	201,712	214,730
Other revenue and other gains and losses	661	5,881	38,007	3,553	5,834
Selling and distribution expenses	(85,250)	(96,171)	(104,192)	(47,424)	(48,078)
Administrative expenses	(195,082)	(219,037)	(249,562)	(118,133)	(126,069)
Finance costs	(19,287)	(10,480)	(11,770)	(5,422)	(5,813)
Profit before income tax	65,009	115,533	133,106	34,286	40,604
Income tax expense	(10,898)	(14,880)	(15,738)	(4,821)	(4,521)
Profit for the year/period	54,111	100,653	117,368	29,465	36,083
Other comprehensive income, after tax					
Exchange differences on translating foreign operations	12	—	37	110	(73)
Total comprehensive income for the year/period	54,123	100,653	117,405	29,575	36,010
Profit attributable to:					
— Owners of the Company	51,558	88,827	110,295	24,644	35,171
— Non-controlling interests	2,553	11,826	7,073	4,821	912
	54,111	100,653	117,368	29,465	36,083
Earnings per share for profit attributable to owners of the Company — basic and diluted *(Note)*	N/A	N/A	N/A	N/A	N/A
Dividends	13,820	13,727	31,296	—	—

Note: No earnings per share information is presented, for the purpose of the accountant's report set out in Appendix I to this prospectus, as its inclusion is not considered meaningful due to the preparation of the results for the relevant periods on a combined basis as disclosed in Note 1 of the aforesaid accountant's report.

Combined statements of financial position

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	101,303	92,908	93,506	77,791
Interests in associates	—	—	—	—
Intangible assets	13,540	11,812	10,084	9,220
Trade and other receivables	6,270	—	—	—
Other financial assets	20,992	20,992	20,992	20,992
Deferred tax assets	32	28	1,284	1,968
	142,137	125,740	125,866	109,971
Current assets				
Inventories	511,626	729,070	943,858	980,074
Trade and other receivables	670,073	738,245	941,949	805,852
Derivative financial assets	—	1,101	412	652
Current tax recoverable	76	71	2,315	1,816
Pledged time deposits	3,627	7,124	7,142	7,142
Cash and cash equivalents	305,816	681,272	685,240	360,741
	1,491,218	2,156,883	2,580,916	2,156,277
Current liabilities				
Trade and other payables	811,954	1,039,815	1,182,721	811,155
Borrowings	388,174	714,680	934,891	829,599
Provisions	13,006	12,155	11,216	10,027
Obligations under finance leases	14	14	14	10
Derivative financial liabilities	—	143	162	103
Current tax liabilities	6,247	19,973	7,395	8,964
	1,219,395	1,786,780	2,136,399	1,659,858
Net current assets	271,823	370,103	444,517	496,419
Total assets less current liabilities	413,960	495,843	570,383	606,390
Non-current liabilities				
Obligations under finance leases	31	17	3	—
Deferred tax liabilities	4,469	2,555	—	—
	4,500	2,572	3	—
Net assets	409,460	493,271	570,380	606,390
Capital and reserves attributable to owners of the Company				
Share capital	30,589	30,318	30,318	30,318
Reserves	366,723	438,979	518,015	553,105
Equity attributable to owners of the Company	397,312	469,297	548,333	583,423
Non-controlling interests	12,148	23,974	22,047	22,967
Total equity	409,460	493,271	570,380	606,390

Borrowings of the Group increased during the Track Record Period

Increases in bank borrowings which were predominantly in the form of import loans used to support business growth was in tandem with the increases in sales revenue during the Track Record Period. Import loans were used to finance purchases of materials. As at 31 December 2008, 2009, 2010 and 30 June 2011, balances of import loans were approximately HK$297 million, HK$592 million, HK$811 million and HK$745 million, respectively. Please refer to note 26 of Accountants' Report in Appendix I to this prospectus for further details.

Change in inventory (31 December 2010 to 30 June 2011)

Inventory increased by HK$36 million from HK$944 million as at 31 December 2010 to HK$980 million as at 30 June 2011, which was mainly due to the increase in the materials requirements to satisfy the increase in orders of Internet Media Tablets by an EMS customer. The sales revenue from the said customer grew from HK$88 million (for the six months ended 30 June 2010) to HK$465 million (for the six months ended 30 June 2011).

Change in cash and cash equivalents (31 December 2010 to 30 June 2011)

Cash and cash equivalents declined by approximately HK$324 million from HK$685 million as at 31 December 2010 to HK$361 million as at 30 June 2011. The said reduction was mainly due to the net reduction in trade and other payables and import loans on or before 30 June 2011.

Change in trade and other payables (31 December 2010 to 30 June 2011)

Trade and other payables declined by approximately HK$372 million from HK$1,183 million as at 31 December 2010 to HK$811 million as at 30 June 2011, of which total trade payables decreased from approximately HK$1,027 million as at 31 December 2010 to approximately HK$664 million as at 30 June 2011. Other payables and accruals were reduced by approximately HK$9 million from HK$156 million as at 31 December 2010 to HK$147 million as at 30 June 2011. The reduction in the trade and other payable balance as at 30 June 2011 is reflected in the reduction in the cash and cash equivalent balance as at 30 June 2011 as compared with the respective balances as at 31 December 2010.

Decrease in trade payables and average trade payable turnover days

Total trade payables decreased from approximately HK$1,027 million as at 31 December 2010 to approximately HK$664 million as at 30 June 2011, and average trade payables turnover days was reduced to 57 days as at 30 June 2011. Purchases by PC Partner, the major procurement arm of the Group, represented 90%, 92%, 95%, and 95% of the total purchases of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011. The purchasing values of PC Partner in the second and fourth quarters of 2010 were HK$998 million and HK$1,241 million, respectively, representing a difference of 24.3%. The purchasing value of PC Partner in the second quarter of 2011 was HK$1,092 million, which followed a similar seasonal pattern. As a result, the trade payables of PC Partner of HK$641 million as at 30 June 2011 (HK$753 million as at 30 June 2010) was lower than that of HK$984 million as at 31 December 2010.

During the first six months of 2011, the Internet Media Tablets EMS customer of the Group specified the use of some new suppliers, which offered less favourable terms of trade to the Group, such as requiring advanced payment or cash-on-delivery. Total payments to the suppliers under advanced payment or cash-on-delivery terms in the six months ended 30 June 2010 and in the six months ended 30 June 2011 were HK$5.8 million and HK$125.6 million, respectively, respereenting an increase of approximately 22 fold. The less favourable terms of trade with the said new suppliers in the first six months of 2011 resulted in a reduction in average trade payable turnover days.

The Group's inventory increased by approximately HK$36 million from approximately HK$944 million as at 31 December 2010 to approximately HK$980 million as at 30 June 2011, representing an increase of approximately 4%. The purchases of PC Partner in the fourth quarter of 2010 and the second quarter of 2011 were approximately HK$1,241 million and HK$1,092 million, respectively, representing a decrease of approximately 12%. As illustrated above, trade payables of PC Partner decreased by approximately 34.8% from 31 December 2010 to 30 June 2011. The slight increase in the Group's inventory by approximately 4% despite the decrease in purchasing and trade payables of PC Partner was due to the increase in the use of suppliers, which required the Group to procure on cash-on-delivery or advanced payment basis and as well as parts and components yet to be utilised in the Group's production processes.

ODM/OEM contract manufacturing business and own brands pricing

The ODM/OEM contract manufacturing business commanded a higher gross profit margin after material costs than the business of the Group's own brands of video graphics cards during the Track Record Period. Pricing quotations given to the Group's ODM/

OEM customers are on cost-plus basis. Among the Group's major customers, the Group assembles MBA video graphics cards for AMD. MBA video graphics cards are produced to accompany the launch of new GPUs to demonstrate its features and capabilities as well as to serve as reference for video graphics cards manufacturer to design new video graphics cards based on the new GPUs. The engineering and quality of MBA video graphics cards tend to be over specified above and beyond norm, which lead to the relatively higher cost on components and materials. In the case of the other ODM/OEM customers, they are mainly PC manufacturers who utilise video graphics cards assembled by the Group as a component for the production of PCs. The Group prices its products and services on the basis of a cost-plus calculation methodology. The prices of products and services are derived from the sum of three elements, namely, (i) total costs of materials on the basis of current prices; (ii) "value-added" costs, comprising pre-manufacturing costs, equipment usage, production and testing services, packaging, logistics, selling and administration overheads ("value-added costs"); and (iii) a reasonable profit margin determined by the management based on market practice, economic situation, the Company's annual profit target, etc. ("profit margin"). Market prices of high value components, GPU and commodity items such as RAM are constantly monitored and reflected in quotations or selling prices to customers as soon as possible, and prices of the bill-of-materials of products are constantly updated to assure that product costs are as current as possible.

The Group would estimate the assembly cost on the basis of product complexity and specific customer requirements in order to come up with the assembly fee, which would be charged on top of the material costs to arrive at the selling price for the assembly of video graphics cards for ODM/OEM contract manufacturing customers. The Group would refer to the bill-of-materials provided by the customers to estimate the assembly charge. The component count on the video graphics cards and the through hole assembly required for manufacturing would be taken into consideration for the price quote. Furthermore, the Group would also assess the labour resources, the factory and administrative overheads, specific quality control measurement, testing requirement, packing and shipping cost, trial run cost, sales warranty, finance costs and then add in the profit margin to determine the selling price for the ODM/OEM contract manufacturing business.

The Group only started to distribute its own ZOTAC branded video graphics cards in 2007 as a means to reduce its reliance on the ODM/OEM customers. Unlike the video graphics cards manufactured for AMD and the other ODM/OEM customers, the Group's own brands of video graphics cards are destined for the retail market. The Group only used NVIDIA GPUs in its own branded video graphics cards products. In general, NVIDIA would provide a manufacturers' suggested retail price ("MSRP") to the manufacturers of video graphics cards using NVIDIA GPUs.

In order to gain market share for the Group's own brands, especially ZOTAC, the Group has tended to use high quality components and materials and at the same time pricing its own brands of video graphics cards at levels below the MSRP. During the Track Record Period, the Group was able to command a level of profit margin in the ODM/OEM contract manufacturing of video graphics cards business, which resulted in a gross profit margin after material costs higher than that of the business of the Group's own brands of video graphics cards. Please refer to the section headed "Business — Video graphics cards segment" of this prospectus for more information.

Recent economic conditions

Introduction

During the Track Record Period, the EMEAI and NALA markets represented important overseas markets for the exports of the Group's products and recorded a continued growth. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group generated approximately 30%, 28%, 27% and 33%, respectively of its total sales to customers from the EMEAI market and approximately 8%, 10%, 9% and 10%, respectively of its total sales to customers from the NALA market. For the same period, the Group's turnover attributable to its EMEAI customers were approximately HK$1,306 million, HK$1,303 million, HK$1,542 million and HK$959 million, respectively, while the Group's turnover attributable to its NALA customers were approximately HK$362 million, HK$464 million, HK$516 million and HK$284 million, respectively.

Within the EMEAI geographical segment, the European Union countries accounted for a substantial percentage of the revenue of this segment. During the Track Record Period, revenue contribution from the European Union countries represented approximately 78%, 72%, 70% and 82%, respectively of the total revenue of the EMEAI segment. The global market and economic conditions in 2008 and 2009 were unprecedented, and the global economy underwent a severe recession, with advanced economies experiencing deep contractions during this period. Continued concerns over the impact of potential prolonged recession, the availability and cost of credit, commodity prices, the global housing and mortgage markets, and costs of energy contributed to market volatility and diminished expectations for global economic growth. The PRC and international equity markets also experienced heightened volatility. These events resulted in economic slowdown and fluctuation in consumer confidence, which in turn have affected and may continue to affect consumers' demand for the Group's products.

Sales in the European and US markets

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, sales revenue from the EMEAI region represented 30%, 28%, 27% and 33% of the Group's total sales revenue, respectively. Sales revenue from NALA region represented 8%, 10%, 9% and 10% of the Group's total sales revenue, respectively for the same periods. These two regions represented a sizable portion of the Group's total sales revenue. European Union countries and the US are significant markets in EMEAI and NALA regions.

The Group's sales in the European markets have shown a declining trend from 1 July 2011 to 31 October 2011, based on the Group's unaudited management accounts. This may be due to the recent uncertain economic conditions in the European Union countries. On the other hand, the US market continued to show growth in the period from 1 July 2011 to 31 October 2011, based on the Group's unaudited management accounts.

The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and have an adverse impact on the Company's operations and financial performance.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue derived from the European Union countries from 1 July 2011 to 31 October 2011 experienced a decrease compared to that in the first six months of 2011; while the monthly average sales revenue in the US from 1 July 2011 to 31 October 2011 recorded an increase as compared with that in the first six months of 2011. The Group is selling and distributing products in different regions. The Group's monthly average sales revenue for the four months ended 31 October 2011 is slightly lower than the monthly average sales revenue in the first six months of 2011, based on the Group's unaudited management accounts. Accordingly, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease in the sales revenue from the European Union countries.

Fluctuation of exchange rates

Almost all of the Group's sales are denominated in the US dollars, which is pegged to the Hong Kong dollars, the exchange rate risks between the US dollars and Hong Kong dollars is minimal. Continuous appreciation of the RMB would have adverse impact on the Group's costs of production in the PRC. The increased costs may not be fully passed onto customers through price increases. The Company is working to streamline the operational processes and planned to upgrade the ERP system to increase the operational efficiency and to achieve savings.

Availability of credit in global lending markets

The Group has not experienced any reduction in its banking facilities since the end of the Track Record Period up to 31 October 2011. Since Hong Kong is the treasury hub for the Group and the Group has no borrowing in other countries such as the PRC, the US and the European Union countries. The tightening of credit policies in the PRC has no impact on the Group's business and operations as the Group has not borrowed or arranged financing facilities with banks and financial institutions in the PRC. The Group's entire borrowings and loan facilities are with registered banks in Hong Kong and loan facilities have remained largely stable since 30 June 2011. The tightening of credit in the PRC, the US, and the European Union countries would have indirect impact to the Group since both its customers and suppliers may rely on borrowings from these countries and regions. Corporate failures of suppliers would adversely affect the Group's operations. The Group has alternative supplies of the majority of the materials and components so as to reduce the risk in the event of corporate failures of suppliers. Corporate failures of customers would adversely affect the Group's financial performance. The Group has taken out credit insurance to cover 57%, 49%, 48% and 56% of outstanding trade receivables as at 31 December 2008, 2009, 2010, and 30 June 2011, respectively. The Group is closely monitoring the credit risk and exercising tight credit control to minimise the credit risk which could adversely affect the Company's financial performance.

General deterioration in economic confidence

A general deterioration in economic confidence may also have an adverse impact on the Group's operation and financial performance especially in the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) in the fourth quarter of 2011. For the years ended 31 December 2009 and 2010, sales in the fourth quarter represented 31% and 32% of total annual sales revenue for the respective years. The general deterioration in economic confidence may have an adverse impact on the traditional peak season of PC Partner in the fourth quarter of 2011, which may in turn have an adverse impact on the operations and financial performance of the Group.

Absence of new GPU launches by AMD would adversely affect the Group's operation and financial performance. For the six months ended 30 June 2010 and 2011, sales revenue and sales volume in respect of AMD and Sapphire in aggregate has declined by 19.6% and 21.8%, respectively. The Group is able to reduce the risk on reliance of one single GPU provider since sales decline in AMD and Sapphire due to lack of new product launch could be offset by increasing the business of its own brands of video graphics cards. For the six months ended 30 June 2011, sales revenue and sales volume in respect the Group's own brands of video graphics cards has increased by approximately 19.2% and 15.1%, respectively over the same period in 2010.

The Group's negative cashflow from operating activities for the six months ended 30 June 2011

The Group's negative cashflow from operating activities for the six months ended 30 June 2011 was resulted from, firstly, short credit terms offered by new suppliers in respect of the EMS manufacturing of Internet Media Tablets and, secondly, the net reduction in import loans for the period. The Directors believe the Group would not move in a way that would adversely affect the Group's working capital requirements and the Group is taking steps to negotiate with the said new suppliers to provide longer credit terms in order to improve its cashflow on the operation.

The Group is managing its cash and capital on the basis of capital efficiency and effective risk management to support the dividend policy and earnings per share growth. The Group seeks to maintain sufficient financial strength to support both the operation's needs and new business development, and being able to satisfy the requirements of the bank covenants for granting its subsidiaries with banking facilities. The Group has set a target on maintaining the gearing ratio at below 100% and has taken steps to optimise the debt to equity structure to enhance the returns to shareholders. The Group retained financial flexibility by maintaining the gearing ratio below 100% and also retained a certain level of head-room in banking facilities to support future business growth. The Group will continue to improve the capital efficiency and earnings to service its indebtedness and maintain sufficient cash on hand as future cash requirement. During the Track Record Period, the Group complied with the said target. Please refer to the section headed "Financial information — Debt to equity ratio" in this prospectus for further information.

From the end of the Track Record Period to 31 October 2011, based on the Group's unaudited management accounts, the Group experienced a decrease in the average monthly sales revenue from the European Union countries as compared with that from the same regions recognised in the first six months of 2011. However, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease.

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 30 June 2011 (being the date to which the latest audited financial statements of the Group were made up).

Property, plant and equipment

As at 31 December 2008, 2009, 2010 and 30 June 2011, the net book value of the Group's property, plant and equipment were HK$101 million, HK$93 million, HK$94 million and HK$78 million, respectively. This represented a decrease of 8.3% and an increase of 0.6% on a year on year basis between 2008 and 2010 and a decrease of 16.8% between 31 December 2010 and 30 June 2011. These decreases principally related to depreciation charges and the varying annual capital expenditure under the categories of plant and machinery and office and testing equipment. Capital expenditure for the year of 2011 on the said categories took place after the Track Record Period.

Property, plant and equipment principally comprises leasehold improvements, plant and machinery and office and testing equipment located in the PRC and used in the Group's factory operations. Please refer to the section headed "Accountants' Report — Note 16 — Property, plant and equipment" for further information.

One-off items

1. On 28 July 2011, PC Partner Holdings resolved to declare the interim dividend of approximately HK$66.5 million to members of PC Partner Holdings whose names appeared in its register of members on 30 June 2011.

2. The aggregate underwriting commissions and fees, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Offering are estimated to amount to approximately HK$34 million (assuming that the Over-allotment Option is not exercised) and will be payable by the Company as to approximately HK$30 million and the Selling Shareholder as to approximately HK$4 million. The Company will also pay for all commission and related fees and expenses in relation to any exercise of the Over-allotment Option.

3. In respect of the Pre-IPO Share Option Scheme, the Group granted the options pursuant to the Pre-IPO Share Option Scheme on 14 December 2011. Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of the Listing Date and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based compensation payment in respect of such options will be charged to profit or loss over the vesting period of the said options.

OUTSTANDING OPTIONS GRANTED UNDER THE PRE-IPO SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 14 December 2011, the Company has adopted the Pre-IPO Share Option Scheme, the principal terms of which are set out in the section headed "6. Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

As at the date of this prospectus, options to subscribe for an aggregate of 31,990,000 Shares, representing 7.66% of the issued share capital of the Company immediately following completion of the Offering (assuming the Over-allotment Option is not exercised and excluding all the Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme), at an exercise price of HK$1.46 per Share have been granted by the Company pursuant to the Pre-IPO Share Option Scheme, and which remained outstanding as at the Latest Practicable Date. Each of the grantees has paid HK$1 to the Company on acceptance of the offer for the grant of the option to him/her/it in accordance with the rules of the Pre-IPO Share Option Scheme. Particulars of the options granted pursuant to the Pre-IPO Share Option Scheme are set out in the section headed "6. Pre-IPO Share Option Scheme — B. Outstanding options granted under the Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

The total number of shares subject to the options granted under the Pre-IPO Share Option Scheme is 31,990,000 Shares, representing approximately 7.66% of the issued share capital of the Company immediately following completion of the Offering (assuming the Over-allotment Option is not exercised and excluding all the Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme), or approximately 7.12% of the enlarged issued share capital of the Company upon full exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme immediately following completion of the Offering (assuming the Over-allotment Option is not exercised). As such, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of the Shareholders immediately following the Listing will be diluted by approximately 7.12%. Assuming that the Reorganisation has been completed and there are no minority interests in respect of ASK Group or Manli Group and the Company had been listed on the Stock Exchange since 1 January 2010 with 417,518,668 Shares in issue, the earnings per Share on a pro forma diluted basis would be approximately HK$0.281 (unaudited). Assuming that, and the Reorganisation has been completed and there are no minority interests in respect of ASK Group or Manli Group, the Company had been listed on the Stock Exchange since 1 January 2010 with 417,518,668 Shares in issue and 31,990,000 Shares were allotted and issued pursuant to the exercise of all the options granted under the Pre-IPO Share Option Scheme in full on 1 January 2010, the earning per Share on a pro forma diluted basis would be approximately HK$0.261 (unaudited) for the year ended 31 December 2010.

USE OF PROCEEDS

The Company estimates that the aggregate net proceeds from the Offering, based on an Offer Price of HK$1.60 per Offer Share, will be approximately HK$109 million, assuming the Over-allotment Option is not exercised and after deducting proceeds from the Sale Shares, underwriting fees and commissions and estimated expenses payable by the Company in connection with the Offering. The Company estimates the aggregate net proceeds from the Offering, based on an Offer Price of HK$1.60 per Offer Share, will be approximately HK$134 million, assuming the Over-allotment Option is fully exercised and after deducting underwriting commissions and estimated expenses payable by the Company in connection with the Offering. The Group intends to use such net proceeds as follows:

1. Approximately HK$46 million, or approximately 42.2% of the estimated net proceeds, will be used to expand the Group's SMT production capacity and efficiency by acquiring SMT machineries, equipment and relevant technology. The machinery and equipment include automatic printers, components mounter, Integrated Circuit ("IC") mounters, soldering systems and automatic optical inspection systems. The installation of such machinery and equipment are planned to be rolled out in 2012 and 2013 and will increase the Group's SMT production capacity by approximately 2.76% (approximately 52,000 pcs. of components per hour) and approximately 7.19% (approximately 139,000 pcs. of components per hour), respectively on a year on year basis in 2012 and 2013. The aforementioned production equipment will be installed in existing vacant space within the premises of Dongguan Baineng.

2. Approximately HK$24 million, or approximately 22.0% of the estimated net proceeds, will be used to promote and develop new products, and for brand building, in 2012 and 2013, of which HK$10 million is intended to be utilised in the PRC and HK$14 million is intended to be utilised for the EMEAI market.

3. Approximately HK$24 million, or approximately 22.0% of the estimated net proceeds, will be invested in research and development of peripheral products for mobile computing devices and future generations of mini-PC including recruiting hardware and software design talents, acquiring industrial and plastic molding design equipment and licenses of operating system development kits and design software over three years in 2012, 2013 and 2014.

4. Approximately HK$5 million, or approximately 4.6% of the estimated net proceeds will be used to upgrade the existing Enterprise Resource Planning ("ERP") system and information technology ("IT") resources in order to achieve further improvements in operational excellence by hiring a qualified consulting firm to implement the upgrading, as well as by increasing IT resources to strengthen the Group's IT capability.

5. The balance of approximately HK$10 million, or approximately 9.2% of the estimated net proceeds, will be used for the Group's working capital requirements and general corporate purposes.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds shall be allocated pro rata towards items 1, 2 and 3 above.

To the extent that the net proceeds from the Offering are not immediately used for the above purposes, it is the Group's present intention that such net proceeds will be deposited into interest-bearing accounts with licensed banks and/or financial institutions.

OFFERING STATISTICS

	Based on an Offer Price of HK$1.60
Market capitalisation(1)	HK$668.0 million
Unaudited *pro forma* adjusted net tangible assets per Share(2)	HK$1.64

Notes:

(1) The calculation of market capitalisation is based on 417,518,668 Shares expected to be in issue following the Offering.

(2) The unaudited pro forma net tangible assets per Share has been arrived at after adjustment referred to in the paragraph headed "Unaudited pro forma adjusted net tangible assets" in the Unaudited Pro Forma Financial Information in Appendix II to this prospectus, and is based on 417,518,668 Shares expected to be in issue following the Offering.

SUMMARY OF RISK FACTORS

Risk relating to the Group

- Material factors, which will affect the Group's margins and performance;
- The Group maintains a substantial level of indebtedness, which is sensitive to changes in interest rates and may affect its business, financial condition, results of operations and prospects;
- Reliance on key executives and personnel;
- Reliance on the technology of GPU manufacturers EMS customers and suppliers;
- Fluctuation in cost of raw materials and components;
- The Group may not manage the supply-demand cycle effectively;
- Reliance on Sapphire, one of the major customers;
- The Group does not have any long term purchase commitments from its customers, which may result in fluctuation in the Group's results of operations and may affect its liquidity;
- Certain customers of the Group may provide components and materials to the Group on a consignment basis;
- The Group may be affected by its major customers or suppliers undergoing restructuring;
- The Group outsources part of its SMT capacity;
- Seasonality effect on the business of the Group;
- Credit risk;
- The Group may be affected by labour disputes and rising labour costs;
- Product liability risk;

- The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others;

- The Group predominantly relies on rented properties for its manufacturing facilities and office accommodation;

- Stock obsolescence;

- Revocation of favourable tax treatments;

- Foreign currency forward contracts;

- Exchange rate risk.

Risk relating to the Group's industry

- Recent economic conditions;

- Competition;

- Rapid development of technology;

- The Group relies on the market demand for its customers' products, which is in turn dependent on global economic conditions.

Risks Relating to Conducting Business in the PRC

- The Group may be subject to penalties under relevant PRC laws and regulations due to shortfall in making full Social Insurance contributions for its employees;

- The Group may be subject to penalties under the relevant PRC laws and regulations for not effecting the relevant registrations for the housing provident fund schemes during the Track Record Period;

- The PRC Employment Contract Law may adversely affect the Group's business operations or financial position;

- The Group may lose the use of certain temporary building structures, which are not covered by building ownership certificates.

Risks relating to the Public Offering

- There has been no prior market for the Company's Shares, and the liquidity and market price of the Company's Shares following the Public Offering may be volatile;

- Certain facts, forecast and other statistics with respect to the video graphics cards products industry contained in this prospectus may not be reliable;

- Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed "Glossary" of technical terms.

"AMD"	Advanced Micro Devices, Inc., an Independent Third Party, a global semiconductor company listed on the New York Stock Exchange under the ticker AMD, which designs and sells microprocessors, chipsets and graphics processors, and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies
"APAC"	Asia Pacific Region
”Application Form(s)"	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them, to be used in relation to the Public Offering
"Articles"	the amended and restated articles of association of the Company, approved and adopted on 21 December 2011 and as amended from time to time
"ASK Group"	ASK Technology Group Limited, a company incorporated in Hong Kong with limited liability on 10 March 2008 and a wholly owned subsidiary of the Company, and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies
"ASK Technology"	ASK Technology Limited, a company incorporated in Hong Kong with limited liability which is wholly-owned by Mr. Ho, a Director, and therefore a connected person of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"ATI"	ATI Technologies Inc., an Independent Third Party, which was acquired by AMD in 2006, and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies

"Baineng Factory"	東莞栢能電子廠 (Dongguan Baineng Electronics Factory*), a processing factory established in the PRC in July 1997 which was deregistered on 23 October 2010
"Board"	the board of Directors
"Business Day"	any day (excluding a Saturday or a Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CCASS"	Central Clearing and Settlement System
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CeBIT"	Centrum für Büroautomation, Informationstechnologie und Telekommunikation, a trade show in Hannover
"CES	Consumer Electronics Show, a trade show in Las Vagas
"Classic Venture"	Classic Venture International Inc., a company incorporated in the BVI on 18 July 1995 which is held as to 100% by Mrs. Ho Wong Mary Mee-Tak, who is a Controlling Shareholder
"Co-founders"	The late Mr. Ho Hin Wun Bosco, Mr. Wong Shik Ho Tony, Mr. Leung Wah Kan and Mr. Wong Fong Pak
"Companies Law" or "Cayman Companies Law"	the Companies Law (2011 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time

"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "we" or "us"	PC Partner Group Limited, a company incorporated in the Cayman Islands under the Companies Law with limited liability on 1 April 2010 and reference to "our" should be construed accordingly
"Computex"	a computer exhibition in Taiwan
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in the context of this prospectus refers to Mrs. Ho Wong Mary Mee-Tak, Classic Venture and Perfect Choice
"Director(s)"	the director(s) of the Company
"Dongguan Baineng"	東莞栢能電子科技有限公司, a wholly foreign-owned enterprise established in the PRC on 10 July 2009 and a wholly-owned subsidiary of the Company
"Dongguan Baiye"	東莞市百業進出口有限公司 (Dongguan City Baiye Import and Export Co., Ltd.*), a company incorporated in the PRC with limited liability and an Independent Third Party
"Dongguan Tianpei"	東莞市天沛電子科技有限公司, a wholly foreign-owned enterprise established in the PRC on 11 July 2008 and a wholly-owned subsidiary of the Company
"EMEAI"	Europe, Middle East, Africa and India
"European Union"	an economic and political partnership between European countries, further details of which can be found at the website of the European Union (http://europa.eu)
"GREEN Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

"Group"	the Company and its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors or, where the context so requires, any one or more of the present subsidiaries of the Company
"HK$" or "HK dollars" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hon Hai Precision"	Hon Hai Precision Industry Co., Ltd., an Independent Third Party, and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a party which is not connected (as defined in the Listing Rules) to the Directors, chief executive or substantial Shareholders
"Innovision Multimedia"	Innovision Multimedia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
"Joint Lead Underwriters"	WAG Worldsec and Luen Fat and a "Joint Lead Underwriter" means any one of them
"KRW"	South Korean won, the lawful currency of South Korea

"Latest Practicable Date"	23 December 2011, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, expected to be on or about 12 January 2012, on which the Shares are listed and from which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Luen Fat"	Luen Fat Securities Company Limited, a Joint Lead Underwriter to the Listing and a corporation licensed to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Manli Group"	Manli Technology Group Limited, a company incorporated in Hong Kong with limited liability on 10 March 2008 and a wholly owned subsidiary of the Company, and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies
"Manli Technology"	Manli Technology Co. Limited, a company incorporated in Hong Kong with limited liability in which Mr. Man, a Director, owns 50% interest, and therefore a connected person of the Company
"Memorandum"	the amended and restated memorandum of association of the Company, approved and adopted on 21 December 2011 and as amended from time to time

"Mr. Ho"	Ho Nai Nap, please refer to the section headed "Directors, senior management and staff" in this prospectus
"Mr. Lee"	Lee Wing Chung, a director of Manli Group
"Mr. Lin"	林國良 (Lin Guoliang) and an Independent Third Party
"Mr. Man"	Man Wai Hung, please refer to the section headed "Directors, senior management and staff" in this prospectus
"Mr. Yin"	尹樹基 (Yin Shuji) and an Independent Third Party
"NALA"	North America and Latin America
"NALA Sales"	NALA Sales Inc. a company incorporated in the State of California, the United States on 4 December 2007 under the laws of the State of California, a connected person of the Company, further details of which are set out in the subsection headed "Provision of services by NALA Sales to Zotac Nevada relating to sales, promotion and distribution of products of Zotac Nevada" in the section headed "Connected Transactions" in this prospectus
"NVIDIA"	NVIDIA Corporation, listed on The NASDAQ Stock Market under the ticker NVDA, is a leading supplier of GPUs, an Independent Third Party and/or, where the context requires, any one or more of its relevant subsidiaries and/or associated companies
"Offer Price"	the offer price per Offer Share of HK$1.60 (exclusive of brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Offering
"Offer Share(s)"	the Public Offer Share(s) and the Placing Share(s)
"Offering"	the Public Offering and the Placing

"Over-allotment Option"	the option to be granted by the Company to the Placing Underwriters exercisable by Luen Fat under the Placing Underwriting Agreement pursuant to which the Company may be required to issue up to an aggregate of 15,750,000 additional new Shares (representing 15% of the Offer Shares initially being offered under the Offering) to cover over-allocations in the Placing, details of which are described in the section headed "Structure and conditions of the Offering" in this prospectus
"Over-allotment Shares"	up to 15,750,000 Shares which the Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"PC Partner"	PC Partner Limited, a company incorporated in Hong Kong with limited liability on 12 February 1988 and a wholly-owned subsidiary of the Company
"PC Partner Holdings"	PC Partner Holdings Limited, a company incorporated in the BVI with limited liability on 2 May 1997 and a wholly-owned subsidiary of the Company
"PC Partner Holdings Shareholders"	all the shareholders of PC Partner Holdings immediately prior to the signing of the deed of sale and purchase dated 21 December 2011 referred to in paragraph (m) of the section headed "3.1 Summary of Material Contracts" in Appendix V to this prospectus, namely, Classic Venture (a Controlling Shareholder), Perfect Choice (a Controlling Shareholder), Wong Shik Ho Tony (a Director), Wong Fong Pak (a Director), Daniel Kearney, Leung Wah Kan (a Director), Mr. Ho (a Director), Chiu Kan Ho, K.U. INTERNATIONAL LIMITED, Kingdom Right Limited, Mr. Lee, Mr. Man (a Director), Lee Ming Wai David, Lai Shui Wah, Tsang Chiu Po, Tsang Wan Wai, Gong Jian Hua, Fong Wing Fai, Hong Wen Zheng, Chow Hon Fat, Zhang Ji Ming, Lee Po Yuk Juanne, Chow Pak Keung, Lau Chee Keung, Liu Yao Ming, Liao Yang Lin, Lee Siu Wai, who became shareholders of the Company pursuant to the Reorganisation
"PC Partner International"	PC Partner International Limited, a company incorporated in the BVI with limited liability on 10 July 2003 and a wholly-owned subsidiary of the Company

"Perfect Choice"	Perfect Choice Limited, a company incorporated in the BVI on 5 July 1995 which is held as to 100% by Mrs. Ho Wong Mary Mee-Tak, who is a Controlling Shareholder
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters for cash at the Offer Price, as further described in the section headed "Structure and conditions of the Offering" in this prospectus
"Placing Shares"	an aggregate of 94,500,000 Shares (comprising 76,500,000 new Shares and the Sale Shares) initially being offered for subscription at the Offer Price under the Placing with any additional Shares issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure and conditions of the Offering" in this prospectus
"Placing Underwriters"	the underwriters of the Placing, led by the Joint Lead Underwriters, who are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the conditional placing and underwriting agreement relating to the Placing and to be entered into by, among others, the Company, the Selling Shareholder and the Placing Underwriters
"PRC" or "China" or "mainland" or "mainland China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Guantao Law Firm, legal adviser to the Group as to PRC law
"Pre-IPO Share Option Scheme"	the share option scheme conditionally adopted by the Company pursuant to a written resolution passed by the Shareholders on 14 December 2011, the principal terms of which are summarised in the section headed "6. Pre-IPO Share Option Scheme — A. Summary of the terms of the Pre-IPO Share Option Scheme" in Appendix V to this prospectus
"Public Offer Shares"	the 10,500,000 new Shares initially being offered for subscription by the Company at the Offer Price under the Public Offering, subject to reallocation as described in the section headed "Structure and conditions of the Offering" in this prospectus

"Public Offer Underwriters"	the underwriters of the Public Offering whose names are set out in the section headed "Underwriting" in this prospectus
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 28 December 2011 relating to the Public Offering entered into by, among others, the Company, the Controlling Shareholders, the Sponsor, the Joint Lead Underwriters and the Public Offer Underwriters
"Public Offering"	the offer by the Company of the Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in the prospectus and the related application forms
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the reorganisation arrangements undergone by the Group in preparation for the Listing as described in the section headed "History and development — Reorganisation" in this prospectus and the section headed "1.4 Corporate Reorganisation" in Appendix V to this prospectus
"RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange (國家外匯管理局)
"Sale Shares"	the 18,000,000 Shares to be offered by the Selling Shareholder under the Placing
"Sapphire"	Sapphire Global Holdings Limited, an Independent Third Party and an investment of the Group, further details of which are set out in the subsection headed "Investment in Sapphire Global Holdings Limited" in the section headed "Financial Information" in this prospectus and/or, where the context requires, any one or more of its relevant subsidiaries, associated companies and/or related companies
"Selling Shareholder"	Classic Venture
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Social Insurance"	contribution for various funds in the PRC, including pension insurance, medical insurance, unemployment insurance and occupational injuries insurance
"South Korea"	The Republic of Korea
"Sponsor"	WAG Worldsec
"State Council"	中華人民共和國國務院 (State Council of the PRC)
"Stock Borrowing Agreement"	the agreement to be entered into by the Selling Shareholder with Luen Fat in respect of the borrowing of up to 15,750,000 Shares from the Selling Shareholder by Luen Fat to cover over-allocation
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Synovate"	Synovate Ltd., an Independent Third Party, is a research institute founded in 2003 and the market research arm of Aegis Group plc, a media communications company listed on the London Stock Exchange.
"Synovate Report"	a report prepared by Synovate on the global market landscape and competitive analysis of add-in video graphics cards, which was commissioned by the Group
"TDEK"	TDEK Holdings, Ltd., a company incorporated in Bermuda with limited liability on 4 August 1997 previously owned by Mr. Wong Shik Ho Tony as to 64.44% which was dissolved in March 2011

"Track Record Period"	the financial years comprising the three years ended 31 December 2010 and the six months ended 30 June 2011
"UK"	the United Kingdom of Great Britain and Northern Ireland
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"US" or "United States"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"VTech Group"	VTech Holdings Limited, a company incorporated in Bermuda with limited liability and listed on the Stock Exchange, (stock code: 303), or where the context requires, any one or more of its relevant subsidiaries or associated companies
"WAG Worldsec"	WAG Worldsec Corporate Finance Limited, acting as the Sponsor and a Joint Lead Underwriter to the Listing, a corporation licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO www.eipo.com.hk
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Xianxing Development"	東莞市先興發展有限公司 (Dongguan Xianxing Development Co., Ltd), a company incorporated in the PRC with limited liability and an Independent Third Party

"Zotac Korea"	Zotac Korea Co., Ltd., a company incorporated in Korea and a wholly-owned subsidiary of the Company
"Zotac Macao"	Zotac International (Macao Commercial Offshore) Limited, a company incorporated in Macau under the laws of Macau and a wholly-owned subsidiary of the Company
"Zotac Nevada"	Zotac USA, Inc., a company incorporated in the State of Nevada, the United States on 9 October 2007 under the laws of the State of Nevada and a wholly-owned subsidiary of the Company
"ZOTAC USA"	collective description of Zotac Nevada and NALA Sales
"sq.ft."	square foot or square feet
"sq.m."	square metre(s)
"%"	per cent

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option.

All times refer to Hong Kong time.

If there is any discrepancy between the Chinese name or title of the PRC laws and regulations or other Chinese documents mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities contained in this prospectus are unofficial translations for reference only.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

AQL	Acceptance Quality Level, an industrial standard sampling methodology through which the quality of a batch of products or components are determined as acceptable or otherwise
ASIC	Application Specific Integrated Circuits
chipset	a set of integrated circuits that are used together to perform a function in the Group's products
COB	chip-on-board, generic term for any component assembly technology in which an unpackaged silicon die is mounted directly on PCB
GDDR2	Graphics Double Data Rate, version 2
GDDR4	Graphics Double Data Rate, version 4
EMS	Electronics Manufacturing Service, an outsourced service that manufactures electronics components products
GPU	Graphics Processing Unit, a high performance processor that generates realistic, interactive graphics on workstations, personal computers, game consoles, and mobile devices, GPU is a type of ASIC
GPS	Global Positioning System
fansink	a heatsink that is integrated with a cooling fan
heatsink	a metal plate used to conduct and radiate heat away from an electrical component in an electrical device
IC	Integrated Circuit, a miniature silicon chip incorporating electrical circuits that performs processing and control functions

Internet Media Tablet	a portable media player that plays industrial standard video and/or audio contents
IT	information technology
netbook	a small laptop computer designed primarily for accessing Internet-based applications
ODM	Original Design Manufacturer: whereby a company manufactures products of its own designs, which are then sold under the OEM's brand name
OEM	Original Equipment Manufacturer: whereby products are manufactured in whole or in part in accordance with the instructions of the customer and are marketed under the customer's own brand name
LED	Light Emitting Diode
MAG	Mini All-in-one Giant, a mini-PC
MIS	Management Information Systems
MBA	Manufactured-by-AMD: AMD's PCB level graphics products that are manufactured by third-party manufacturers
PC	Personal Computer
PCB	Printed Circuit Board, a non-conducting board laminated with conducting material on its surface under a pre-defined pattern on which electrical or electronic components are mounted to form and complete electrical or electronic circuit
PCI-Express	Peripheral Component Interconnect Express
POS	Point-Of-Sales teller machines, including those used for the checkout of products and managing the transaction process

RAM	Random Access Memory, a type of computer memory that can be accessed randomly, as opposed to sequentially
RMA	Returned Materials Authorisation, an alphanumeric identifier used by hardware manufacturers that indicates a user has been authorised by a company representative to return a product to the manufacturer for repair or refund
RoHS	an acronym for "Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive", enacted by the European Union in 2003
S&H	software and hardware
SGRAM	Synchronous Graphics Random Access Memory
SMT	Surface Mount Technology, a circuit board packaging technique in which the leads (pins) on the chips and components are mounted and soldered on the surface of the board, not through it
WEEE	an acronym for "Waste Electrical and Electronic Equipment Directive", enacted by the European Union in 2003

This prospectus contains many statements that are “forward-looking”. You can identify these statements by the use of terms such as “believe,” “anticipate,” “expect,” “estimate,” “future,” “intend,” “may,” “plan,” “should,” “will,” “seek to,” negatives of such terms or other similar statements. You should not place undue reliance on any of these forward-looking statements. Although the Group believes its assumptions in making these forward-looking statements are reasonable, its assumptions may prove to be incorrect and you are cautioned not to place undue reliance on such statements. The forward-looking statements in this prospectus include, but are not limited to, statements relating to:

— the industry regulatory environment as well as the industry outlook in general;

— the amount and nature of, and potential for, future development of the Group’s business;

— the Group’s business objectives and strategies;

— the Group’s capital expenditure plans;

— the Group’s operations and business prospects ;and

— the Group’s future plans.

You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares, including the risks and uncertainties described below in respect of the Group's business and its industry and the Public Offering. You should pay particular attention to the fact that the Group is a company incorporated in the Cayman Islands and that the Group's principal manufacturing operations are conducted in China and are governed by a legal and regulatory environment that in some respects differs from what prevails in other countries. The Group's business, financial condition or results of operations could be affected materially and adversely by any of these risks.

RISKS RELATING TO THE GROUP

Material factors, which will affect the Group's margins and performance

The Group's business is historically of a low-margin nature. Competition, unfavourable economic conditions, increase in interest rates, loss of customers, increase in materials costs, inter alia, would erode the low net profit margin of the Group.

Manufacturing of video graphics cards is a low margin business. During the Track Record Period, the net profit margins recorded by the Group were 1.2%, 2.1%, 2.1% and 1.2% for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Any increase in the costs of labour, electricity, rent, taxation, raw materials and so forth, which the Group could not pass onto its customers would adversely affect the Group's profitability.

Competition

The Group faces competition from other manufacturers of add-in video graphics cards and EMS providers. According to the Synovate Report, competition among manufacturers of add-in video graphics cards is not only in market share, but is also in the capability to source materials.

The Group operates in a very competitive and low margin business with a high level of borrowings. In times of uncertain economic conditions any increase in interest rates, loss of major customers, increase in bad debts and fluctuation in prices of components and materials, inter alia, would have an adverse impact on the Group's operations and financial performance.

Recent economic conditions

Both the US and the European Union are grouped under NALA and EMEAI regions, respectively, which represented a significant proportion of the business of the Group. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group generated approximately 30%, 28%, 27% and 33%, respectively, of its total sales from its customers in the EMEAI markets and approximately 8%, 10%, 9% and 10%, respectively of its total sales to its customers in the NALA market. The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and may have an adverse impact on the Group's operations and financial performance.

Interest rates fluctuations

As the Group maintains a substantial level of indebtedness, an increase in interest expense would adversely affect the net profit of the Group. Interest costs was HK$5.8 million for the six months ended 30 June 2011, which represented 0.2% of the Group's total sales revenue or 16.5% of the Group's profit attributable to owners of the Group for the same period.

Customers

The Group's top five customers have made significant contributions to the Group's sales revenue and in aggregate accounted for approximately 44%, 39%, 40% and 40% of the sales revenue of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The possibility of losing any of such customers and increase in bad debts could adversely affect the Group's business, financial condition and results of operations.

Material costs

A significant proportion of the Group's total costs are costs of components and materials. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's material costs as a percentage of sales revenue was 86%, 85%, 86% and 87%, respectively. Where increase in costs of components and materials cannot be passed on to customers, the Group may have to absorb such costs or decline orders, which could have adverse effect on the Group's business, financial condition and results of operations.

The Group maintains a substantial level of indebtedness, which is sensitive to changes in interest rates and may affect its business, financial condition, results of operations and prospects

The Group maintains a substantial level of indebtedness. The Group's total borrowings were approximately HK$388 million, HK$715 million, HK$935 million and HK$830 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. The Group's cash at banks and in hand as at the same dates were approximately HK$306 million, HK$681 million, HK$685 million and HK$361 million, respectively. In comparison, the Group's total equity as at 31 December 2008, 2009, 2010 and 30 June 2011 was approximately HK$409 million, HK$493 million, HK$570 million and HK$606 million, respectively. As at 30 June 2011, among the Group's bank borrowings, HK$791 million was repayable within twelve months and HK$39 million was repayable in more than one year but not exceeding five years, with repayment on demand clauses. For the six months ended 30 June 2011, the effective interest rate of the Group on its borrowings was approximately 1.5%. If the effective interest rate were to be approximately 11.6%, the entire net profit of the Group for the same period would be eroded.

The Group's financing costs, and hence the results of operation, are affected by changes in the interest rates. As such, the Group expects that the increase in interest rates will increase the Group's borrowing costs in general and the financing costs of its customers, which may or may not deter the Group's customers from placing contract manufacturing orders or purchasing the Group's products. The Group's debt to equity ratio, calculated by dividing the net debt by total assets, was 20%, 7%, 44% and 77% as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. Please refer to the section headed "Financial Information — Certain financial ratios" in this prospectus for further information.

The Group's ability to repay the principal and pay the interest on borrowings depends substantially on the cash flows and results of operations of the Group, which in turn depend, in part, upon the other risks stated in this section, some of which are beyond the Group's control. The Group cannot give any assurance that it will have sufficient cash flow to service its borrowings. If the Group is not able to refinance its borrowings on commercially acceptable terms or at all, the Group's liquidity will be adversely affected and, as a result, the Group's results of operations, financial condition and business prospects may be adversely affected.

Reliance on key executives and personnel

The Group's performance depends on the continued services and performance of the Directors, the senior management of the Group and sales representatives in the EMEAI region and the sales agent in the NALA region. The loss of service of any of our key management, in particular (i) Mr. Wong Shik Ho Tony, the chief executive and executive Director who is responsible for the overall strategic management and corporate development of the Group, (ii) Mr. Wong Fong Pak executive vice president and executive Director who is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business, and (iii) Mr. Leung Wah Kan chief operations officer and executive Director who is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group, could impair the Group's ability to operate and make it difficult to execute the Group's business strategies. As at the Latest Practicable Date, the sales and marketing representatives in the EMEAI region not only have between eight and ten years of experience in the relevant fields in the electronics industry, but also have served the Group between one and four years. As at the Latest Practicable Date, the senior management involved in sales and marketing have served the Group between two and fourteen years, the senior management involved in operations have served the Group between three and fourteen years. The expertise of the senior management involved in sales and marketing and operations are set out in the section headed "Directors, senior management and staff" in this prospectus. The Group's performance also depends on its ability to retain and motivate its officers and employees. The loss of the services of key personnel or the inability to identify, hire, train and retain other qualified technical and managerial personnel in future may adversely affect the performance of the Group.

Reliance on the technology of GPU manufacturers EMS customers and suppliers

The Group's success is partly attributable to the established relationship with the world's two dominating discrete GPU manufacturers, which manufacture discrete GPUs for video graphics cards. The Group, through being an MBA video graphics cards manufacturers for AMD, is benefited from being one of the first video graphics cards manufacturers to work on new discrete GPUs introduced to the market by AMD. Video graphics cards carrying the Group's own brands are all based on NVIDIA GPUs. AMD and NVIDIA together supplied all of the discrete GPUs used by the Group. The Group relies on the technology development of the GPU manufacturers for new GPUs for the Group to develop new video graphics cards as well as ongoing technical support. There is no assurance that the relationship with these GPU manufacturers can be maintained in the future. In the event that the relationship with these GPU manufacturers cannot be maintained, the Group's product development prospects and hence competitiveness and results of operations may be adversely affected.

The Company is relying on the technology development of the EMS customers since the change of the life cycle of the EMS products and competition encountered by the EMS customers would have an adverse impact to the Company's financial performance.

For each of the three years ended 31 December 2010 and in the six months ended 30 June 2011, purchases from the five largest suppliers of the Group accounted for approximately 45%, 49%, 49% and 46%, respectively of the Group's total purchases. For the same periods, purchases from the single largest supplier of the Group accounted for approximately 27%, 36%, 33% and 28%, respectively of the Group's total purchases. The Group has not entered into any long-term supply contract with any of its major suppliers. In the event that the major suppliers cease to supply raw materials and/or components to the Group and the Group is not able to source such raw materials and/or components at competitive prices from other suppliers, the Group's operations and profitability may be adversely affected.

Fluctuation in cost of raw materials and components

The principal raw materials and components used in the Group's production of video graphics cards are ASIC (including GPU), RAM, PCBs and heatsink (including fansinks), which collectively accounted for approximately 62%, 68%, 66% and 64% of the Group's total purchases of raw materials and components for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. While the fluctuation of the costs of raw materials and components may be passed onto the OEM, ODM and EMS customers, the Group will also absorb part of the impact in relation to such fluctuation, and the pricing of the Group's own branded products may be less flexible. Any substantial increase in the costs of these raw materials and components, particularly GPUs and RAM (which accounted for a substantial part of the Group's costs of sales during the Track Record Period) could adversely affect the Group's business, financial condition and results of operations.

As the Group has not entered into any long-term supply contracts in relation to these raw materials and components, the Group may not be able to source such raw materials and components at prices acceptable to the Group, or at all, if the supply from the Group's existing suppliers is substantially reduced or there are significant increases in their prices. The resulting loss of production volume could materially and adversely affect the Group's ability to deliver products to the Group's customers in a timely manner and harm the Group's reputation.

The Group may not manage the supply-demand cycle effectively

The Group typically places orders to its suppliers of certain tailor-made components and GPUs prior to receiving purchase orders from the Group's customers. Therefore, the Group's orders to manufacturers of tailor-made components are, to a certain extent, based on the Group's forecasts or tentative orders from its customers. If the Group incorrectly estimates customers' demand, the Group may misallocate resources, resulting in, among other things, excess inventory, which may become obsolete and liquidity may be adversely affected.

Reliance on Sapphire, one of the major customers

The Group owned 40% interest in one of its customers, Sapphire, when Sapphire was incorporated in 2001. The Group first manufactured video graphics cards for Sapphire in 2001. The Group's interest in Sapphire was diluted to 18.18% in 2008 and further diluted to 4.95% in 2010. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, Sapphire contributed to 13%, 11%, 9% and 8%, respectively, of the Group's total sales revenue.

The Group does not have any long-term purchase commitment from Sapphire, and sales are made on the basis of individual purchase orders. The Group cannot assure that the volume of Sapphire's orders will be consistent in the future. The volume of Sapphire's orders may affect the Group's profitability, results of operations and financial conditions.

Please refer to the sections headed "History and development — The Group's history" and "Business — Products" in this prospectus for further information on Sapphire.

The Group does not have any long term purchase commitments from its customers, which may result in fluctuation in the Group's results of operations and may affect its liquidity

The Group does not have any long-term purchase commitments from its customers, and sales are made on the basis of individual purchase orders. The Group cannot assure that the volume of its customers' orders will be consistent with the Group's expectations when it plans its capital and/or operating expenditures. As a result, the Group's results of operations may vary from period to period and may fluctuate significantly in the future. Such fluctuation may also adversely affect the Group's liquidity and thus its ability to develop new products. As a result, the Group's profitability, results of operations and financial condition may be affected. In addition, it is possible that in some future periods, the Group's operating results may be below the expectation of market analysts and investors.

Certain customers of the Group may provide components and materials to the Group on a consignment basis

AMD and Sapphire are video graphics cards ODM/OEM contract manufacturing customers of the Group, which provide components and materials to the Group on a consignment basis. Such customers retain title over such consigned components and materials. Such customers provide key components and materials such as GPUs, RAM or fansink (as the case may be) on a consignment basis. In the event that such customers decide to engage the Group to procure such key components instead of providing the same on a consignment basis as part and parcel to a purchase order, and the Group could not source such components and materials or on terms commercially acceptable to the Group, the Group would have to decline such purchase order. The Group's operations, revenue and profitability may as a result be adversely affected. When the Group procures and provides components and materials for such customers, the costs would be passed onto the said customers. The sales revenue and the cost of sales of the Group would increase by approximately equal and opposite amounts resulting in a lower gross profit margin after material costs in percentage terms while the gross profit after material costs in monetary terms remaining approximately unchanged. Please refer to the sections headed "Business — ODM/OEM contract manufacturing of video graphics cards" and "Financial Information — Key costs components" in this prospectus for further details.

The Group may be affected by its major customers or suppliers undergoing restructuring

Major customers and suppliers of the Group may restructure their business in face of the changing competitive landscape. Such actions may involve cost reduction and/or change in business strategies taken by customers or suppliers, which as a result may affect the Group's sales or materials sourcing. In the event that such changes (if any) are not favourable to the Group, the Group's operating results could be adversely affected.

According to a recent announcement made by one of the Group's major customers as well as suppliers, it has begun to implement a restructuring plan to streamline its operational efficiency with the objective to strengthen its competitive position. The Group is not in a position to determine whether such restructuring plan will affect the Group's business relationship. If such restructuring plan leads to measures which impacts on the Group negatively, the Group's operations, revenue and profitability will be adversely affected.

The Group outsources part of its SMT capacity

The Group, apart from all of the ASK Group related productions and certain of the Manli Group related productions, outsourced the SMT processes in the production of video graphics cards. For the three years ended 31 December 2010 and in the six months end 30 June 2011, the Group outsourced 28.5%, 31.4%, 28.8% and 9.6%, respectively, of its video graphics cards manufacturing. The Group may not be able to engage sufficient outsourced SMT capacity to capture sudden unplanned influx of customer orders, which have short delivery horizon. The Group is also reliant on the performance of its SMT manufacturing subcontractors on quality, lead time and delivery of the work-in-progress after the SMT processes because the Group has no direct control of the SMT manufacturing processes of these subcontractors. Should such subcontractors fail to perform, or if such performance fails to meet the Group's requirements, the Group's operations, reputation and profitability may be affected.

Please refer to the section headed "Business — Production capacity and utilisation rate" of this prospectus for more information.

Seasonality effect on the business of the Group

The business of the Group is subject to seasonality effect. Such effect had significant impact on the Group's sales revenue and financial performance during the Track Record Period during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue). The sales of PC Partner tended to increase in the fourth quarter of each year during the Track Record Period, which was due to the typical consumer spending pattern increasing around the Christmas and new year holidays season. The sales revenue in the fourth quarter of 2009 and 2010 represented 31% and 32% of the total sales revenue of the respective years. The Group's own brands of video graphics cards, ODM/OEM video graphics cards destined for the retail market, ODM/OEM video graphics cards for PC manufacturer customers sold by PC Partner were subject to similar seasonality effect driven by the holidays season. The seasonality trend was also applicable to the sales of other PC related products and some of the EMS products such as Internet Media Tablets and the flash memory modules sold by PC Partner, which shared the same seasonality effect driven by the holiday seasons.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit. Ongoing evaluations are performed on the financial condition of trade customers. In respect of debtors with balances that are more than 3 months overdue, further credit will only be granted with management's approval. Otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. However, the Group has purchased credit insurance for the Group's trade receivables. The general credit period offered to customers are between 30 and 60 days.

Although the Group has adopted a prudent credit policy and has not experienced any significant bad debts in respect of its sales, there are still credit risks associated with the Group's customers. The Group's trade receivables amounted to HK$596 million, HK$690 million, HK$904 million and HK$767 million as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. Such balances represented approximately 40%, 32%, 35% and 36% of the Group's total current assets as at the respective dates, and approximately 219%, 186%, 203% and 155% of the Group's net current assets as at the respective dates. Should the customers of the Group fail to settle the sales proceeds in accordance with the agreed credit terms, the working capital position of the Group may be adversely affected. Bad debt provisions or write-offs may also be required for receivables, which will have an adverse effect on the Group's profitability. The bad debt provisions of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK$5.7 million, HK$0.5 million, reversal of HK$0.1 million and HK$1.4 million, respectively.

The Group may be affected by labour disputes and rising labour costs

As a result of the rapid economic growth in the PRC and the increase in demand for labour in the Pearl River Delta, factories in the Pearl River Delta have been facing a shortage of labour supply in recent years. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's staff cost amounted to HK$196 million, HK$231 million, HK$276 million and HK$155 million, respectively. During the same periods, the Group's total turnover was HK$4,389 million, HK$4,709 million, HK$5,585 million and HK$2,906 million, respectively. As at 31 October 2011, the Group had 5,339 staff working in Dongguan, the PRC. Labour dispute of any form or scale may have a negative impact on the Group's operations. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the direct labour cost were HK$97 million, HK$105 million, HK$135 million and HK$78 million, respectively, which represented 2.4%, 2.5%, 2.6% and 2.9% of total cost of sales for the periods indicated, respectively. Any material increase in labour costs in the PRC may, if the same cannot be passed onto customers, adversely affect the Group's profits. In addition, for risks relating to changes in labour laws in the PRC, please refer to the section headed "Risk factors — Risks relating to conducting business in the PRC — The PRC Employment Contract Law may adversely affect the Group's business operations or financial position" in this prospectus.

Product liability risk

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale. The Group also has a policy allowing the customers to return any defective products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns policy in respect of sales made during the Track Record Period. The amount of provision for warranty takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

For ZOTAC video graphics cards, the standard warranty for the PRC market is three years and the standard warranty for the APAC and EMEAI markets is five years. In NALA, the Group offers a limited lifetime warranty program for certain models of video graphics cards to the customers, subject to certain conditions. For ZOTAC mini-PCs, warranty for the APAC, NALA, Middle East, Africa and India markets is one year, the warranty for the European Union market is two years.

For Inno3D video graphics cards sold by ASK Group, the standard warranty across all markets is two years. For Manli video graphics cards and other computer related products, the standard warranty across all markets is two years.

The Group also maintains product liabilities insurance for certain customers where contractually required. During the warranty period, defective products can be returned to the Group for repair or exchange.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the additional provisions made for product warranties and return for the periods concerned were HK$2.5 million, HK$NIL, HK$1.4 million and HK$NIL million, respectively. As a result the net movement of provisions for product warranties and returns for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK$2.3 million, HK$(0.9) million, HK$(0.9) million and HK$(1.2) million, respectively. The said net movements took into account additional provisions made, released and utilised. For the same periods, the material cost incurred for repairing of these defective products returned for repair or exchange were HK$1.2 million, HK$4.5 million, HK$5.5 million and HK$3.0 million, respectively. The value of goods returns of the Group were HK$20.6 million, HK$31.6 million, HK$36.1 million, and HK$18.9 million, respectively, for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011. The customers would receive credits for such goods returned. The major goods returned are video graphics cards. The defects were mainly manufacturing defects. The value of goods returns as a percentage of the Group's total sales were 0.47%, 0.67%, 0.65%, and 0.65%, respectively, for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011. The value of goods returns as a percentage of the Group's total sales increased from 0.47% in 2008 to 0.67% in 2009. These returns were mainly related to the Group's own Zotac brand of video graphics cards. The percentage remained stable at 0.65% in 2010 and in the six months ended 30 June 2011.

In the event that any of the Group's products contains defects and adversely affects the product or operation of its customers, the Group may incur additional costs to rectify the defects or devote significant resources to defend any claims, which may be brought against it by its customers. This may also adversely affect the Group's relationship with its customers, and result in negative publicity, which may damage the reputation of the Group.

The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others

The Group's commercial success depends in part on its ability to obtain and maintain trade secrets, patents and other intellectual property protection for its products, technologies, designs and know-how as well as its ability to successfully protect its intellectual property rights and to defend itself against third-party challenges. As at the Latest Practicable Date, the Group had 10 registered patents, 60 registered trademarks, 5 patent applications and 11 pending trademark applications. Out of the 60 registered trademarks, 12 were registered under an abbreviated name of Zotac Macao and out of the 11 pending trademark applications, 4 applications were filed under an abbreviated name of Zotac Macao. According to the advice of the legal adviser to the Group on the laws of Macau, Zotac Macao, being incorporated in Macau as an offshore commercial company, must sign all documents related to the same with its full name in accordance with the rules enacted by Decree-Law no. 58/99/M of 18 October 1999. The use by Zotac Macao of its abbreviated name, which is different from its registered name, may give rise to confusion as to the true identity of the owner of the trademarks. Therefore, the rights of the Group to the relevant trademarks may be invalid or unenforceable. Please refer to the section headed "4. Intellectual property of the Group" in Appendix V to this prospectus for details. As at the Latest Practicable Date, the Group has filed applications to rectify name of registrant of 5 trademark registrations and the name of applicant of 3 pending trademark applications. As these 8 trademarks involve 6 jurisdictions and the time required for processing the rectification of the names of registrants/applicants of such trademarks differs among the different jurisdictions, the Group is therefore unable to estimate the timeframe within which such rectification process will be completed. As the remaining 7 trademark registrations and 1 pending trademark applications where an abbreviated name has been used were in respect of trademarks either superseded by new trademarks or were only used in relation to discontinued products, the Group did not file applications to rectify these registrations or applications. In the mean time, while the Group awaits the rectification of the name of registrant of the aforesaid 5 trademarks registrations, such trademarks are at risk of being infringed in the jurisdictions concerned. Such jurisdictions include the PRC, Hong Kong, Brazil and Turkey.

Should the Group fail to rectify the incorrect registrations and incorrect pending registrations of any or all of the 8 trademarks concerned, in the event that there is a trademark dispute, the situation may give rise to confusion as to the true identity of the owner of the trademarks. Such trademarks are registered or pending registration and cannot be registered again by other entities in the mean time. The Group will take appropriate legal actions to defend its rights to the trademarks despite any of the aforementioned confusion. Potential infringement of trademarks may happen to both correctly and incorrectly registered trademarks alike. The financial results of the Group may be affected due to related legal expenses.

On the other hand, the existence of any particular intellectual property right may not necessarily protect the Group from competition, as it may be challenged, invalidated or held to be unenforceable. Therefore, the Group may initiate lawsuits in order to defend its ownership or proprietary design of its products and trade secrets, or the Group may encounter future litigation brought by third parties based on claims that the Group has infringed upon the intellectual property rights of others or that the Group has misappropriated the trade secrets of others, either of which scenarios will be time-consuming and costly. The Group cannot assure that it can achieve a favorable outcome in any such litigation. If the Group is unable to protect its intellectual property rights, or successfully defend itself from infringement claims, the Group's reputation, financial condition and results of operations may be materially and adversely affected.

The Group predominantly relies on rented properties for its manufacturing facilities and office accommodation

The Group entered into lease agreements with Dongguan Haifu Shiye Limited (東莞市海富實業有限公司) in relation to the respective factory premises occupied by Dongguan Baineng and Dongguan Tianpei. The lease agreements shall expire on 30 September 2017. For details, please refer to Appendix III to this prospectus. If the Group is unable to operate (due to breach of the relevant leases), or unable to renew the said leases when they fall due, the production capacity of the Group will be adversely affected.

The Group entered into various lease agreements other than the factory leases above. For details, please refer to Appendix III to this prospectus. If the Group is unable to renew the relevant leases when they fall due, the Group may have to look for other premises.

Stock obsolescence

It is the nature of the electronics industry that product life cycles are subject to rapid technological changes. The introduction of new technology may render the Group's finished products as well as raw materials and components obsolete. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, in respect of inventory obsolescence, the Group made provisions of HK$7.7 million, HK$0.5 million, HK$1.7 million and HK$7.7 million, respectively, which equated to 0.18%, 0.01%, 0.03% and 0.26% of turnover, respectively. In accordance with the Group's inventory policy, stock obsolescence provisions are made on a semi-annual basis for stock over one year old. The policy was consistently applied in the Track Record Period.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the stock turnover days were 46, 53, 60 and 65 days, respectively. The value of inventories accounted for approximately 34%, 34%, 37% and 45% of the Group's total current assets, as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

Revocation of favourable tax treatments

The Group currently benefits from favourable tax treatments in Hong Kong and Macau. The effective tax rates for the three years ended 31 December 2010 and in the six months to 30 June 2011 were 16.8%, 12.9%, 11.8% and 11.1%, respectively.

(a) Hong Kong taxation

Under Section 14 of the Inland Revenue Ordinance ("IRO"), a company carrying on business in Hong Kong is subject to Hong Kong profits tax in respect of its profits arising in or derived from Hong Kong from such business. Pursuant to the Departmental Interpretation and Practice Notes No. 21 ("DIPN 21") in relation to a processing arrangement with a PRC entity where the production processes are carried out at the processing factory situated in the PRC, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and 50% of the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. The Directors consider that the Group's mode of manufacturing operations under the processing agreements as disclosed in the subsections headed "History and development of the Group's operations in the PRC — Baineng Factory" and "History and development of the Group's operations in the PRC — Dongguan Baineng" in the section headed "History and Development" of this prospectus ("Processing Agreements") is within the scope under DIPN 21 described above. Tax effect of this non-taxable net income relating to offshore operation was approximately HK$4.2 million, HK$7.6 million, HK$10.5 million and HK$3.2 million, respectively for the years ended 31 December 2008, 2009 and 2010 and in the six months ended 30 June 2011.

In the event that (i) the Processing Agreements could not be extended upon its expiry date or the processing arrangement under the Processing Agreements will cease to manufacture products and/or act as manufacturing arms of the Group in the PRC, or (ii) there are any changes in the Hong Kong tax law or its interpretation, the Inland Revenue Department might treat the profits of the Group as trading profits derived from Hong Kong and render the Group fully subject to Hong Kong profits tax that may cause significant impact on the Group's profitability.

(b) Macau taxation

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. Effect of tax exemption granted to the Macau subsidiary was approximately HK$0.3

million, HK$1.7 million, HK$4.3 million and HK$2.3 million respectively for the three years ended 31 December 2010 and in the six months ended 30 June 2011.

There is no assurance that the jurisdictions discussed above will continue to offer such preferential tax treatments. Potential investors should be aware that, in the event that the governments of these jurisdictions abolish or change their tax incentive policies, the effective tax rates applicable to the Group may change and may affect the Group's financial position.

Foreign currency forward contracts

The Group's operating activities are carried out in the PRC and its expenses are principally denominated in RMB, whereas the Group's turnover is derived from sales denominated in currencies other than RMB. Thus, the Group has significant exposures to foreign currency fluctuations. Since 1998, the Group entered into certain foreign currency forward contracts to hedge against part of its exposure to potential variability of foreign currency risk arising from changes in foreign currency exposure. The recognised gain on foreign currency forward contracts for the three years ended 31 December 2010 and in the six months ended 30 June 2011 was approximately HK$0.5 million, HK$0.7 million, HK$1.3 million and HK$0.6 million, respectively. The management regularly monitors the Group's foreign currency exposure and will consider entering into hedging arrangements should the need arise. Please see "Financial information — Financial risks — Currency risk" in this prospectus for further details.

Exchange rate risk

During the Track Record Period, the Group's purchases of raw materials and components for its manufacturing business were mainly made in US dollars and Hong Kong dollars. The Group's sales were mainly denominated in US dollars and Hong Kong dollars. Although Hong Kong dollar is currently pegged against US dollar, there is no assurance that the peg between Hong Kong dollar and US dollar will not be altered or abolished in future. Besides, the daily operating expenses of the Group in the PRC are paid in RMB and Hong Kong dollars. The Group is therefore exposed to risks associated with conversion of these currencies in the foreign exchange market.

RISKS RELATING TO THE GROUP'S INDUSTRY

Recent economic conditions

The Group's sales in the European markets have shown a declining trend from 1 July 2011 to 31 October 2011 based on the Group's unaudited management accounts. This may be due to the recent uncertain economic conditions in the European Union countries. On the other hand, the US market continued to show growth in the period from 1 July 2011 to 31 October 2011 based on the Group's unaudited management accounts.

The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and have an adverse impact on the Company's operations and financial performance.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue derived from the European Union countries from 1 July 2011 to 31 October 2011 experienced a decrease compared to that in the first six months of 2011.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue for the four months ended 31 October 2011 is slightly lower than that in the first six months of 2011. Accordingly, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease in the sales revenue from the European Union countries. Based on the Group's unaudited management accounts, the monthly average sales revenue and monthly average sales volume of video graphics cards from 1 July 2011 to 31 October 2011 declined as compared with those in six months ended 30 June 2011.

Continuous appreciation of the RMB would have adverse impact on the costs of production in the PRC. The increased costs may not be fully passed onto customers through price increases.

The tightening of credit in the PRC, the US and the European Union countries would have an indirect impact to the Group since both its customers and suppliers may rely on borrowings from these countries and regions. Corporate failures of suppliers would adversely affect the Group's operations. Corporate failures of customers would adversely affect the Group's financial performance.

A general deterioration in economic confidence may also have an adverse impact on the Group's operation and financial performance especially during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) in the fourth quarter of 2011. For the years ended 31 December 2009 and 2010, sales in the fourth quarter represented 31% and 32% of total annual sales revenue for the respective years. The general deterioration in economic confidence may have an adverse impact on the traditional peak season of PC Partner in the fourth quarter of 2011, which may in turn have an adverse impact on the operations and financial performance of the Group.

According to a recent announcement made by AMD (who is one of the Group's major customers as well as suppliers) on 3 November 2011, AMD has begun to implement a restructuring plan to streamline its operational efficiency with the objective to strengthen its competitive position. The Group is not in a position to determine whether AMD's restructuring plan will affect the Group's business relationship with AMD. Absence of new GPU launches by AMD would adversely affect the Group's operation and financial performance. For the six months ended 30 June 2011, sales revenue and sales volume in respect of AMD and Sapphire in aggregate declined by approximately 19.6% and 21.8%, respectively over the same period in 2010.

The Group's negative cashflow from operating activities for the six months ended 30 June 2011 was resulted from, firstly, short credit terms offered by new suppliers in respect of the EMS manufacturing of Internet Media Tablets and, secondly, the net reduction in import loans for the period. The Directors believe the Group would not move in a way that would adversely affect the Group's working capital requirements and the Group is taking steps to negotiate with the said new suppliers to provide longer credit terms in order to improve its cashflow on the operations.

Competition

The Group faces competition from other manufacturers of add-in video graphics cards and EMS providers. The Group's major competitors are other electronics manufacturers, some of which may have certain advantages over the Group, including greater financial, raw materials and components resources, greater economies of scale, broader brand name recognition and more established relationships in certain markets. As some of the Group's competitors have certain advantages over the Group, it may be easier for them to obtain raw materials and components from suppliers, which are also suppliers to the Group. Increased competition may also force the Group to lower prices, lead to a decrease in the Group's sales and ultimately may have a material impact on the Group's business, financial position and results of operations.

As the product cycle of add-in video graphics cards is being reduced from previously approximately 1 year to currently approximately 6 months, the manufacturers or brand owners need to have research and development team of higher capability than before.

However, there can be no assurance that these competitive strengths which exist now can be maintained in the future. If the Group is not able to maintain its competitive strengths or the competition faced by the Group is intensified unexpectedly, the Group's financial condition and results of operations could be adversely affected.

Rapid development of technology

The industry in which the Group operates is subject to rapid technological changes and short product development cycles. It is a common feature of the PC industry that product life cycles are short. As the Group's products are designed in response to the product development trend of GPUs, the introduction of new technology in GPUs may render the Group's finished products obsolete or non-compatible. In order to remain competitive, the Group needs to be able to keep abreast of technological development in the PC industry and design in a timely manner, and develop new products that meet market needs. In the event that the Group fails to respond to the technological changes in the market, the competitiveness of its products and therefore its profitability will be adversely affected.

The Group relies on the market demand for its customers' products, which is in turn dependent on global economic conditions

Some of the Group's products, such as POS base units for bank tellers are sold onto customers who will incorporate our products in the production of their products. The Group do not control or influence its customers' manufacture, promotion, distribution or pricing strategies. The demand for some of the Group's products is therefore dependent on the market demand for the Group's customers' products. The Group is therefore dependent on its customers' ability to market, promote and distribute their products effectively. Accordingly, the Group's business and financial results could be adversely affected by any decrease in worldwide demand from banks for POS and consumers for PCs, which have experienced cyclical downturns in the past.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The Group may be subject to penalties under relevant PRC laws and regulations due to shortfall in making full Social Insurance contributions for its employees

The Group's PRC subsidiaries are required by the relevant PRC laws and regulations to make contributions, by way of employer's contributions and employees' contributions, to various Social Insurance schemes, including retirement, medical, unemployment and occupational injuries insurance. The PRC employees of the Group who are migrant workers from provinces outside Guangdong have difficulty in transferring their Social

Insurance contributions to their home cities when they leave Dongguan. For this reason, some of these migrant employees refuse to participate in Social Insurance schemes and have deductions made to their salaries to fund the employees' contributions. Accordingly, the Group did not enroll and make contributions in respect of Social Insurance schemes for the employees who did not participate. The Group started to enroll and make contributions for such PRC employees in the first quarter of 2011 and according to the letters of confirmation issued by Dongguan City Social Insurance Authority Houjie Branch (東莞市社會保障局厚街分局) dated 9 March 2011 and 3 November 2011, respectively, each of Dongguan Baineng and Dongguan Tianpei (i) complied with applicable Social Insurance laws and regulations; (ii) was not subject to any administrative penalties due to the violation of Social Insurance Laws and regulations; and (iii) was no existence of default on Social Insurance payment since incorporation.

During the Track Record Period, the Group regularly accounted for Social Insurance payment shortfall and made provisions accordingly. The provisions as at 30 June 2011 in respect of Social Insurance contributions were approximately HK$32.5 million. Please refer to note 25(a) in the accountants' report in Appendix I to this prospectus for details.

The Group's PRC Legal Advisers have advised that, in respect of the Social Insurance payment shortfall, the Group's departments responsible may be ordered to rectify the practice within a specified period. The responsible officers of Dongguan Baineng and Dongguan Tianpei may be fined between RMB1,000 and RMB10,000. The Group's departments responsible may be ordered to make payment towards the unpaid contributions within a specified period. In the event that the Group does not comply within such specified period, the Group may accrue a 0.2% daily penalty from the payment deadline in addition to the payment arrears.

Furthermore, employees of the Group have the right to ask the Group to pay the unpaid employees' contributions, pay any associated costs and compensation, or use the non-payment of such contributions as grounds to terminate their employment with the Group and seek the relevant compensation.

The Group may be subject to penalties under the relevant PRC laws and regulations for not effecting the relevant registrations for the housing provident fund schemes during the Track Record Period

The Group's PRC Legal Advisers have advised that, in respect of the housing provident fund enrolment and payment shortfall, the housing provident fund authorities may order Dongguan Baineng and Dongguan Tianpei, respectively to comply within specified periods. Failure to comply with the enrolment requirement may each result in fines between RMB10,000 and RMB50,000. The housing provident fund authorities may order the Group to make payment against the unpaid contributions within a specified period. In the event that the Group does not comply, the housing provident fund authorities may obtain mandatory enforcement court orders.

Dongguan Baineng and Dongguan Tianpei have effected their relevant registrations for the housing provident fund scheme with the Dongguan Housing Provident Fund Administrative Centre on 16 May 2011.

The PRC Employment Contract Law may adversely affect the Group's business operations or financial position

The PRC Employment Contract Law (the "**ECL**") became effective on 1 January 2008. Compliance with the requirements under the ECL, in particular, the requirements of severance payment and non-fixed term employment contracts, may increase our labour costs. The Group may not be able to efficiently terminate non-fixed term employment contracts under the ECL without cause. The Group is also required to make severance payments to fixed term contract employees when the term of their employment contract expires, unless the employee voluntarily terminates the contract or voluntarily rejects an offer to renew the contract in circumstances where the conditions offered by the Group are the same as or better than those stipulated in the current contract. A minimum wage requirement has also been imposed by the ECL.

In addition, under the Regulations on Paid Annual Leave for Employees (the "**Regulations**"), which also became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid leave of five to 15 days, depending on the length of work of the individual employee. Compliance with the ECL and the Regulations may adversely affect our labour and business operation costs, and adversely affect our results of operations.

The Group may lose the use of certain temporary building structures, which are not covered by building ownership certificates

The Group leased certain building structures in Dongguan, the PRC. Of which, 3,304 sq.m. of temporary building structures are not covered by building ownership certificates. The structures concerned are used as (1) shoes rooms, (2) guards houses, (3) refuse collection rooms, (4) disused buildings and (5) non-production related repair yard. While the landlord has undertaken to indemnify the Group against any loss arising from issues concerning the ownership of such properties, the Group may be inconvenienced, should it have to relocate from, or abandon the use of such properties. Please refer to the "Business — Properties leased by the Group" section in this prospectus for further details.

RISKS RELATING TO THE PUBLIC OFFERING

There has been no prior market for the Company's Shares, and the liquidity and market price of the Company's Shares following the Public Offering may be volatile

Prior to the completion of the Public Offering, there has been no public market for the Company's Shares. The Offer Price of the Offer Shares, was the result of negotiations between the Sponsor (on behalf of the Underwriters) and the Company. The Offer Price may not be indicative of the price at which the Shares will be traded following the completion of the Public Offering. In addition, there can be no guarantee that (i) an active trading market for the Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Public Offering, or (iii) that the market price of the Shares will not decline below the Offer Price. The price of the Shares following the Offering may vary substantially from the Offer Price. If active trading market does not develop, the liquidity and price of the Shares may be adversely affected.

In addition, stock markets have experienced significant fluctuations in recent years, which have not always been related to the performance of the specific companies whose shares are traded thereon. Such fluctuations, as well as general economic conditions, may materially affect the price of the Company's Shares.

Certain facts, forecast and other statistics with respect to the video graphics cards products industry contained in this prospectus may not be reliable

Certain facts and other statistics in this prospectus relating to the video graphics cards industry have been extracted from the Synovate Report and other publicly available sources. The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been prepared or independently verified by the Sponsor, the Underwriters or any of their respective affiliates or advisers and, therefore, they make no representation as to the accuracy of such facts and statistics, including the facts and statistics included in the sections headed "Risk factors", "Industry overview" and "Business" in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to official statistics produced for other economies and prospective investors should not place undue reliance on them. Further, the Group cannot assure prospective investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are "forward-looking" and indicated by the use of forward-looking terminology such as "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by the Company or the Directors that the plans and objectives will be achieved, and prospective investors should not place undue reliance on such statements.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong), and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material aspects and is not misleading or deceptive;

2. there are no other matters the omission of which would make any statement herein or this prospectus misleading; and

3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE OFFERING

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Joint Lead Underwriters, the Underwriters, any of their respective directors, agents, employees or advisers or any other person involved in the Offering.

FULLY UNDERWRITTEN

The Offering comprises the Placing and the Public Offering. Details of the structure of the Offering are set out in the section headed "Structure and conditions of the Offering" in this prospectus. This prospectus is published in connection with the Offering and together with the Application Forms set out the terms and conditions of the Offering.

The Offering is sponsored by the Sponsor and fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Information relating to the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price.

SELLING RESTRICTIONS

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering or sale of the Offer Shares in certain jurisdictions is restricted by law, in particular, but without limitation, the jurisdictions described below. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with the Company, the Sponsor, the Joint Lead Underwriters and the Underwriters that such restrictions have been observed.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The following information is provided for guidance only. Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

Cayman Islands

The Shares will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

PRC

This prospectus may not be circulated or distributed in the PRC and the Offer Shares may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for re-offering or re-sale directly or indirectly to any resident of China except pursuant to applicable laws and regulations of the PRC.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option) and any Shares to be issued upon the exercise of the options which may be granted under the Pre-IPO Share Option Scheme.

No part of the Share or loan capital of the Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of the Shares issued pursuant to the Offering will be registered on the Company's Hong Kong register of members to be maintained in Hong Kong by its Share Registrar, Computershare Hong Kong Investor Services Limited. The Company's principal register of members will be maintained by its principal registrar and transfer agent in the Cayman Islands.

Dealings in the Shares registered on the Company's register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is HK$2 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Unless determined otherwise by the Company, dividends payable in HK$ in respect of Shares will be paid to the Shareholders on the share registers of the Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of the Company, the Sponsor, the Joint Lead Underwriters, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Offering accepts responsibility for any tax effects or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any right in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out under the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant application forms.

STRUCTURE OF THE OFFERING

Details of the structure of the Offering, including details of the Over-allotment Option, are set out under the section headed "Structure and conditions of the Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Offer Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 12 January 2012. Shares will be traded in board lots of 2,000 Shares.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. WONG Shik Ho Tony 王錫豪 *(Chief Executive Officer)*	Flat D, 17/F., Tower V The Waterfront No. 1 Austin Road West, Jordan Kowloon, Hong Kong	Chinese
Mr. WONG Fong Pak 王芳柏 *(Executive Vice President)*	33 Hong Lok Road, East Hong Lok Yuen, Tai Po New Territories, Hong Kong	Chinese
Mr. LEUNG Wah Kan 梁華根 *(Chief Operation Officer)*	No. 189 Lychee Road North Fairview Park, Yuen Long New Territories, Hong Kong	Chinese
Mr. HO Nai Nap 何乃立	130A Hong Lok Road East Hong Lok Yuen, Tai Po New Territories, Hong Kong	Chinese
Mr. MAN Wai Hung 文偉洪	Room B, 19/F., Block 2 The Palazzo, Fotan Shatin, New Territories Hong Kong	Chinese
Non-executive Directors		
Mrs. HO WONG Mary Mee-Tak 何黃美德	34A Estoril Court 55 Garden Road, Hong Kong	Chinese
Mr. CHIU Wing Yui 招永銳	2/F., #117 Tseng Tau Village Sai Sha Road, Sai Kung New Territories, Hong Kong	Chinese
Independent non-executive Directors		
Mr. IP Shing Hing 葉成慶 *Nomination and Remuneration Committees Chairman*	8 Cho Yuen Street The Spectacle 27/F Flat B Kowloon Hong Kong	British
Mr. LAI Kin Jerome 黎健 *Audit Committee Chairman*	Flat 40A Winsome Park 42 Conduit Road Hong Kong	Canadian

Mr. CHEUNG Ying Sheung 張英相	Flat 23E Tower 3 The Belcher's 89 Pokfulam Road Hong Kong	British

PARTIES INVOLVED IN THE PUBLIC OFFERING

Sponsor:

WAG Worldsec Corporate Finance Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Joint Lead Underwriters:

WAG Worldsec Corporate Finance Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Luen Fat Securities Company Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Public Offer Underwriters:

WAG Worldsec Corporate Finance Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Luen Fat Securities Company Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Good Harvest Securities Company Limited
2702 Workington Tower
78 Bonham Strand East
Central
Hong Kong

Legal adviser to the Sponsor and Underwriters as to Hong Kong law:	Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Central Hong Kong
Legal advisers to the Company as to Hong Kong law:	Woo Kwan Lee & Lo 26th Floor, Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Company as to PRC law:	Guantao Law Firm 17th Floor, Tower 2 Ying Tai Center No 28 Finance Street Beijing 100140, PRC
Legal advisers to the Company as to Cayman Islands law:	Appleby 2206-19 Jardine House 1 Connaught Road Central Hong Kong
Auditors and reporting accountants:	BDO Limited *Certified public accountants* 25th Floor, Wing On Centre 111 Connaught Road Central, Hong Kong
Property valuer:	Jones Lang LaSalle Sallmanns Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bankers:	Standard Chartered Bank (Hong Kong) Limited 15/F., Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon, Hong Kong Hang Sang Bank Limited Head Office 15th floor, 83 Des Voeux Road Central Hong Kong

Registered office:	Clifton House, 75 Fort Street, P.O. BOX 1350, Grand Cayman, KY1-1108, Cayman Islands
Headquarter and principal place of business in Hong Kong:	19/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong
Website of the Company:	www.pcpartner.com (The information contained in this website does not form part of this prospectus.)
Company secretary:	Ms. LEUNG Sau Fong Member of Hong Kong Institute of Chartered Secretaries
Authorised representatives:	Mr. WONG Shik Ho Tony Flat D, 17/F., Tower V, The Waterfront, No. 1 Austin Road West, Jordan, Kowloon, Hong Kong Ms. LEUNG Sau Fong Flat G, 14th Floor, Block 4, Site 5 Whampoa Garden, Hung Hom, Kowloon, Hong Kong
Audit committee:	Mr. LAI Kin Jerome *(chairman)* Mr. IP Shing Hing Mr. CHEUNG Ying Sheung
Remuneration committee:	Mr. IP Shing Hing *(chairman)* Mr. LAI Kin Jerome Mr. CHEUNG Ying Sheung Mr. WONG Shik Ho Tony
Nomination Committee:	Mr. IP Shing Hing *(chairman)* Mr. LAI Kin Jerome Mr. CHEUNG Ying Sheung Mr. WONG Shik Ho Tony
Compliance adviser:	WAG Worldsec Corporate Finance Limited 6th Floor, New Henry House 10 Ice House Street Central

Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers:	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong
	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Cayman Islands principal share registrar:	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Sheet P.O. Box 1350 Grand Cayman, KY1-1108 Cayman Islands

This section contains information and statistics relating to the industry in which the Group operates. The information and statistics in this section have been extracted from Independent Third Party publications. The Group, the Sponsor and the Underwriters believe that the sources of the information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information. While the Group and the Sponsor and the Underwriters have exercised reasonable care in extracting and reproducing such information and statistics, the Group cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information. The Group, the Sponsor and the Underwriters have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics have not been independently verified by the Group, the Sponsor, the Underwriters and other parties involved in the Offering or their respective directors and advisers and no representation is given as to the accuracy of such information and statistics. You should not place undue reliance on any of such information and statistics contained in this section.

PERSONAL COMPUTERS ADD-IN VIDEO GRAPHICS CARDS

SOURCES OF INFORMATION

Report commissioned from Synovate

The Directors commissioned Synovate, an independent global market research company, to conduct an analysis of, and to report on, the global market landscape and competitive analysis for video graphics cards. The report commissioned has been prepared by Synovate independently. The Group paid approximately HK$318,000 to Synovate for the report commissioned and we consider that such fee reflects market rates.

The Synovate Report the Directors commissioned includes information on (i) the overview of the video graphics cards industry in the global market; (ii) analysis of video graphics cards in the global market; and (iii) competitive analysis for video graphics cards in the global market, which have been quoted in this prospectus.

The independent research undertaken by Synovate involves primary research, client consultation and desk research. Primary research and client consultation involve interviews with key stakeholders and industry experts, including associations, analysts of computer products and manufacturers of video graphics cards.

The intelligence gathered by Synovate has been analysed, assessed and validated using their in-house analysis models and techniques.

The forecasts in the Synovate Report are based on the following general bases and assumptions:

- The global supply of add-in video graphics cards is assumed to be stable and without shortage over the forecast period;

- It is assumed that there is no external shock such as natural disasters or the wide outbreak of diseases to affect the global demand and supply of video graphics processors add-in video graphics cards during the forecast period;

- The forecast US dollar value is based on the US dollar value in 2010, with inflation factor input to the forecasting model; and

- The exchange rate used in the entire report is at US$1 to HK$7.7707.

The Directors and the Sponsor are satisfied that they have no reason to believe that such information and statistics are false or misleading. The Directors have included certain information from the Synovate Report in this prospectus because they believe such information facilitates the understanding of the add-in video graphics cards market for potential investors. No other information disclosed in this prospectus is extracted from reports commissioned by the Directors.

INTRODUCTION

The display system of a PC is an important component of the interface between an individual user and the functionality of a PC. It is usually through the display system that the user discerns the immediate results of user input. A display system typically consists of a display medium (e.g. a monitor screen) and a graphics controller (e.g. as implemented on an add-in video graphics card). The performance of the overall display system depends to a large extent on the quality of each component.

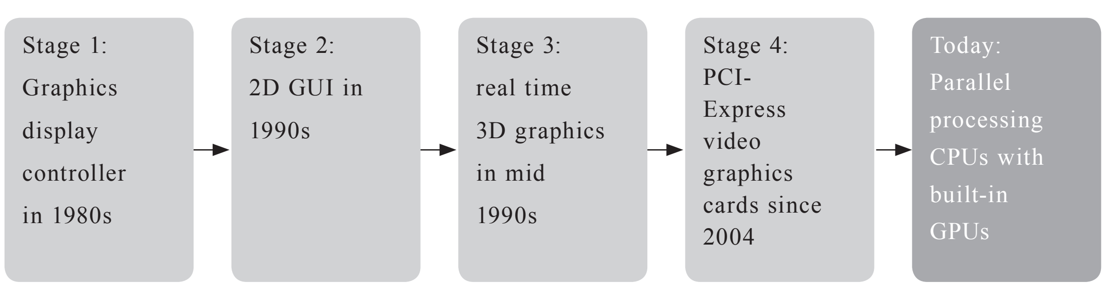
The two basic PC platforms are desktop and mobile (or notebook), and they typically use two classes of graphics controllers, namely, discrete graphics controllers and integrated graphics controllers. Graphics controllers are present in every PC shipped and can take the forms of discrete graphics processing units ("GPU"), integrated graphics processors ("IGP") and embedded processor graphics/heterogeneous processor graphics/ integrated processor graphics ("EPG/HPG/IPG") or GPU embedded CPUs. Discrete GPUs are predominantly mounted on add-in video graphics cards and have their own dedicated memory. Add-in video graphics cards are for installation in bus slots on a PC motherboard. IGPs combine the graphics controller with the memory manager (the so called "north bridge") and utilise the PC's system memory. EPG/HPG/IPG are the new generation of microprocessors that have the graphics controllers integrated into the same die as the CPU cores. (For the purpose of this industry overview, EPG/HPG/IPG are also considered as integrated graphics controllers.)

The evolution of video graphics cards

PC video graphics technology evolved from simple graphics display controllers in the 1980's to supporting 2-D Graphical User Interface ("GUI") in the early 1990's, to real time 3-D graphics in the mid-1990's. In 2004, add-in video graphics cards with PCI-Express interface was introduced to cope with the demand for sophisticated 3-D graphics. By 2009, PCI-Express video graphics cards dominated the market.

Today, parallel processing GPUs and GPU-embedded CPUs have been introduced to cope with online applications, which required fast and high bandwidth data transfer, PCI-Express add-in video graphics cards with multiple and parallel processing capability GPUs have been developed since 2009. NVIDIA developed the high bandwidth data transfer PCI-Express interface with its proprietary technology under the trademark of "SLI™", enabling multiple add-in video graphics cards of the same GPU to operate together. AMD developed a multi-GPU system on PCI-Express interface under the trademark of "CrossfireX™".

New desktop PCs have GPU-embedded CPUs. These enabled the reduction of the size of the PC base-units and saved physical space for other peripherals. However, as a limitation of the technology, this kind of GPU-embedded CPUs only have graphics capability commensurate with add-in video graphics cards in the "mainstream" and "performance" segments.



Sources: Synovate interviews and analysis

The technology and market segments of video graphics cards

The technology of an add-in video graphics card is viewed from its performance in terms of processing power, memory capacity and speed. The add-in video graphics card processing power has been developed to have the capability of multiple or parallel processing of image signals. The speed of a processing unit is measured by clock rate or clock frequency. The maximum clock rate has reached 6GHz by mid-2011.

The memory capacity is up to 8G and the memory clock rate is up to 3.8GHz by mid-2011. The memory capacity and speed together with the processing unit determines whether a video graphics card can function and perform to the highest effectiveness.

Proprietary technology of the trademarks "SLI™" of NVIDIA and "CrossfireX™" of AMD (originally "Crossfire" of ATI) are the leading specifications in the market, which NVIDIA's GeForce GTX590 and AMD's Radeon HD6990, respectively, have the best performance in the market.

The combinations of different processing powers of the GPUs and memory capacity enabled add-in video graphics cards with different features to be categorised into five segments in general: (i) workstation, (ii) enthusiast, (iii) performance, (iv) mainstream, and (v) value & server. Each category targets at different usage and application market segments, such as for professional usage in animation and imaging, entertainment and gaming, or only for office documentation work.

Depending on the usage and areas of applications, the video graphics cards are segmented by features, shown as below:

Workstation: The add-in video graphics cards of the workstation segment are mainly geared for professional use and workstation-caliber applications, such as animation graphics and imaging processing. The specification and functions can vary greatly, but depending on the usage of computer workstations, the retail price of these add-in video graphics cards can range from approximately US$200 to over US$1,000 per unit, with an average retail price of US$415 per unit.

Enthusiast: The add-in video graphics cards of the enthusiast segment are mainly offered to visual enthusiasts or hobbyists who pursue the highest possible performance of the add-in video graphics cards and have the ability to tweak the add-in video graphics cards to exceed the published specifications (i.e. overclocking). The demand in the enthusiast segment is relatively low at approximately 3 million units per annum. However, these cards are usually at the expensive end of the price spectrum in the market, retailed at over US$230 per unit.

Performance: Compared to the enthusiast segment, the add-in video graphics cards of the performance segment have a wider area of usage and applications, but are less powerful. They are equipped with newer and high-performance GPUs and are usually used for entertainment or high-end professional purposes. The average unit retail price of these cards is usually ranged from US$130 to US$230 in the market.

Mainstream: The add-in video graphics cards of the mainstream segment are equipped with basic and solid capabilities satisfying general needs for multimedia usage such as internet browsing, gaming, and office applications. Compared to those of the performance segment, they are mainly utilised from scaled down versions of the high-end chipsets or enthusiast parts or previous generation parts. The average unit retail price of these cards is usually less than US$130.

Value & server: The add-in video graphics cards of the value & server segment are usually the add-in video graphics cards utilising the inventory of GPUs and at the end of their product life cycles. Therefore, they are mainly the previous generation of the mainstream segment cards. They are mostly catered for daily usage and internet browsing.

INDUSTRY CHARACTERISTICS

Market size of graphics controllers

Graphics controllers are the leading indicator of the PC market. The desktop platform includes servers as well as PCs with "one-size-fits-all" motherboards that have both an IGP and an add-in video graphics card. The mobile platform includes mobile PCs (e.g. notebooks and netbooks). Mobile graphics controllers are distinguished from desktop graphics controllers by power management capabilities and smaller package sizes and often run at lower voltages and frequencies than desktop versions. In addition, graphics controllers are also used in other systems that use the PC architecture such as the so called industrial PCs and embedded PCs (e.g. servers, POS systems, and recreational, scientific, industrial and medical systems). NVIDIA and AMD are the two key technology providers of discrete desktop GPUs to global manufacturers of add-in video graphics cards. According to the Synovate Report, add-in video graphics cards based on NVIDIA GPUs and AMD GPUs shared approximately 59.1% and 40.5%, respectively, out of the total of approximately 34.95 million shipment units in the first half of the year 2011. They together dominated the GPUs market at approximately 99.6% of the total market. After the acquisition of ATI by AMD in 2006, the market share of AMD GPU based add-in video graphics cards has increased from approximately 33% in the fourth quarter of 2007 to approximately 51% in second quarter of 2010, and then to approximately 40.6% in the second quarter of 2011, gaining approximately 8% over the ensuing years. Most of the NVIDIA GPU based and AMD GPU based add-in video graphics cards are produced by manufacturers located in Taiwan and China.

The graphics market ships more graphics controllers than the PC market ships PCs. This is due to a number of factors. Desktop and notebook PCs may be equipped with both integrated as well as discrete graphic controllers at the same time. Desktop PCs may be installed with multiple add-in video graphics cards. After market add-in video graphics cards are also purchased for system upgrades.

According to the Synovate Report, the GPU to PC ratio has grown from approximately 1.15 GPUs (integrated and discrete) in 2001 to approximately 1.6 GPUs (integrated, discrete and embedded) in 2011, per PC shipped. This trend is expected to continue especially as GPUs are used for more high-performance computing ("HPC") applications, commonly known as general purpose GPU ("GP-GPU"). This is where the CPU of a PC and a GP-GPU are used together in a heterogeneous computing model by running the sequential part of an application on the CPU and computationally-intensive part on the GP-GPU. High-end video graphics cards can be used for such application.

In addition, the EMS sector also accounted for part of the consumption of graphics controllers for industrial graphics. Graphics controllers are installed in industrial systems where video graphics displays are required. Such systems include POS system terminals, industrial controls, scientific instruments, military systems and recreational systems (e.g. slots machines). The Group manufactures base units for POS Systems and ATM Systems for its customer.

Because of the drop in the demand for desktop computers and the increase in the demand for portable computers (notebooks/netbooks, handhelds and tablets), the video graphics cards for desktop PCs have lost part of the ground and manufacturers have shifted their production capacity to meet the latest market trends.

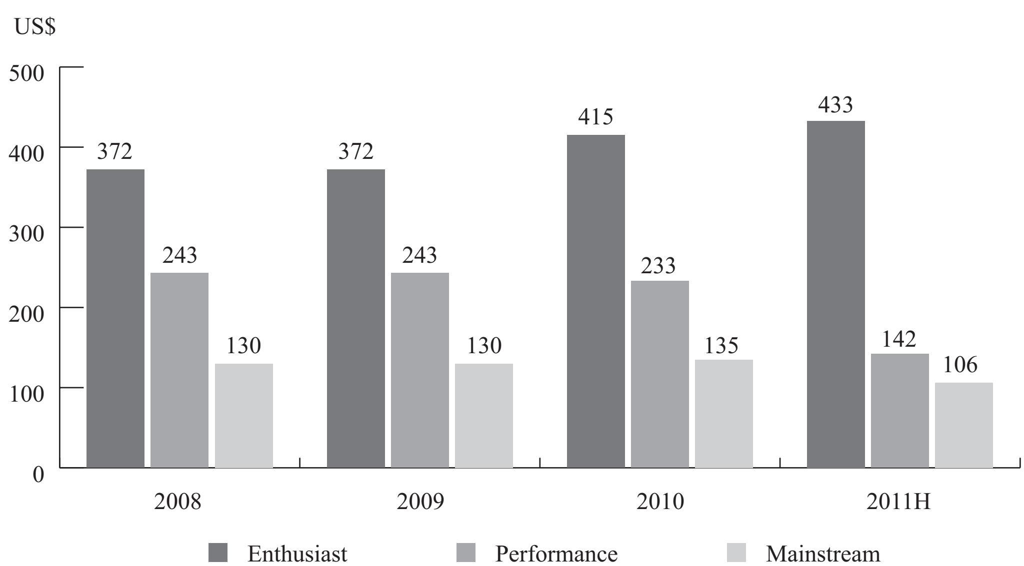
The shipment amount of desktop PCs declined by approximately 3.0%, from approximately 150.4 million units in 2008 to approximately 145.9 million units in 2010. The shipment amount of portable computers increased significantly by approximately 43.3%, from approximately 140.4 million units in 2008 to approximately 201.2 million units in 2010.

The Group, Gigabyte Technology Co. Ltd., Micro-Star International Co. Ltd., Palit Microsystem Ltd., XFX (Division of Pine Technology Holdings Ltd.), ASUSTek Computer Inc. are the major video graphics cards manufacturers worldwide, with sales and distribution of sales products to the distributors and retailers.

The price of video graphics cards for desktops PCs is dependent on the demand of desktops PCs for the current quarter and following quarter, the availability of raw materials and GPUs, production priority on demand, inventory level, market competition, and the demand of consumers. The price usually affects the enthusiast segment first, which would in turn affect the price of the workstation segment and lower segments including the performance and mainstream segments.

The average unit price of add-in video graphics cards in the performance segment and mainstream segment for desktops decreased by approximately 16.4% and 6.6% of CAGR respectively from 2008 to 2011; while cards in the enthusiast segment increased by approximately 5.2% across the same period.

The following chart shows the price trend of enthusiast, performance and mainstream segments from 2008 to the first half of 2011. The Synovate Report forecasts a divergent profile where the price of the enthusiast segment will rise while that of the performance and mainstream segments will fall.

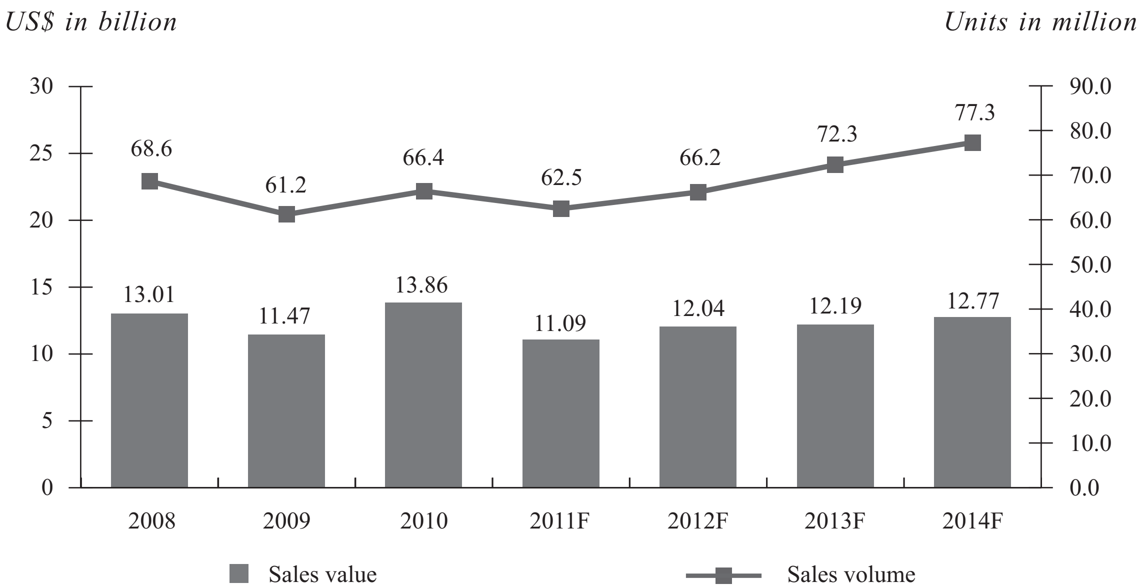


Sources: Synovate interviews and analysis

Global add-in video graphics cards market

The following chart illustrates a demand side view of the global market sales value and volume for add-in video graphics cards for the periods specified. The sales volume of a period may consist of inventory carried forward from a previous period and production from the current period.

Global Market Sales Value and Volume for Add-in Video Graphics Cards from 2008 to 2014



Sources: Synovate interviews and analysis

The global sales volume for add-in video graphics cards declined by approximately 1.6% of CAGR, from approximately 68.6 million units in 2008 to approximately 66.4 million units in 2010. It was expected to decrease by approximately 5.9% to approximately 62.5 million units in 2011, which is higher than during the global recession in 2009.

The decline in sales volume was due to the decrease in the demand of desktops PCs by approximately 3.0% from 2008 to 2010, which was affected by the significant increase in the demand for portable computers by approximately 43.3% during the same period. The global recession in 2009 pulled back demand in the market, especially in the replacement or do-it-yourself consumption market for the enthusiasts and performance segments. The recovery of sales was mainly in the mainstream segment after the 2009 global recession.

It is expected that the global sales value and volume for add-in video graphics cards will increase at a CAGR of approximately 4.8% and 7.3%, respectively from 2011 to 2014. It is due to (i) gamers' demand in Asia and Eastern Europe continue to require higher performance of video graphics cards, and (ii) rapid urbanisation and increase in the wealth of people, in Asia, Eastern Europe, Brazil, Russia, India and China. Fast growth in desktop PC sales is expected in these regions.

The add-in video graphics cards market will show growth in demand in the enthusiast and workstation segments. These two segments will not be significantly affected by the increasing demand for GPU-embedded CPUs. However, GPU-embedded CPUs will affect the market demands in the performance and mainstream segments, especially the sales in mature markets globally.

Global Market Segmentation for Video Graphics Cards from 2008 to 2014

	Workstation		Enthusiast		Performance		Mainstream		Value & Server		Total	
Year	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share	Value	Share
	(US$ billion)	*(%)*	*(US$ billion)*	*(%)*	*(US$ billion)*	*(%)*	*(US$ billion)*	*(%)*	*(US$ billion)*	*(%)*	*(US$ billion)*	*(%)*
2008	2.72	20.9	1.11	8.5	3.06	23.5	5.56	42.9	0.55	4.2	13.00	100.0
2009	2.14	18.7	1.01	8.8	2.77	24.1	5.17	45.1	0.38	3.3	11.47	100.0
2010	3.51	25.3	1.19	8.6	2.80	20.2	6.14	44.3	0.22	1.6	13.86	100.0
2011F	3.56	32.1	1.16	10.5	1.59	14.3	4.78	43.1	0.00	0.0	11.09	100.0
2012F	4.21	35.0	1.32	11.0	1.78	14.8	4.73	39.2	0.00	0.0	12.04	100.0
2013F	4.67	38.3	1.51	12.4	1.97	16.2	4.04	33.1	0.00	0.0	12.19	100.0
2014F	5.15	40.3	1.73	13.5	2.20	17.2	3.69	29.0	0.00	0.0	12.77	100.0
CAGR (%)	11.2		7.7		-5.4		-6.6		-36.8**		-0.3	

Notes: **The CAGR for value & server only counts from 2008 to 2010.

Sources: Synovate interviews and analysis

The global market sales value of add-in video graphics cards for workstation and enthusiast segments have been increasing, while those of the performance and mainstream segments have been decreasing. The percentage sales value of the workstation segment to the total sales value of add-in video graphics cards has increased from approximately 20.9% in 2008 to approximately 32.1% in 2011, and is expected to increase to approximately 38.3% in 2013. Add-in video graphics cards in the workstation segment have the fastest market sales value growth among the five segments, with a CAGR of approximately 11.2% over the period from 2008 to 2014.

As the adoption and usage of workstation-level desktop PC has been increasing, both the new and upgrade or replacement market of add-in video graphics cards have been increased accordingly. This segment is expected to become active in demand for upgrade or replacement because it is far more economical to purchase a new add-in video graphics card than to invest in a new workstation.

Similar situation happens to the enthusiast segment, which has the second fastest market sales value growth among the five segments, with a CAGR of approximately 7.7% over the period from 2008 to 2014. As the enthusiast segment has usually the most advanced technology or the highest performance in the market, their market sales value per unit has been maintained as the sales volume increases.

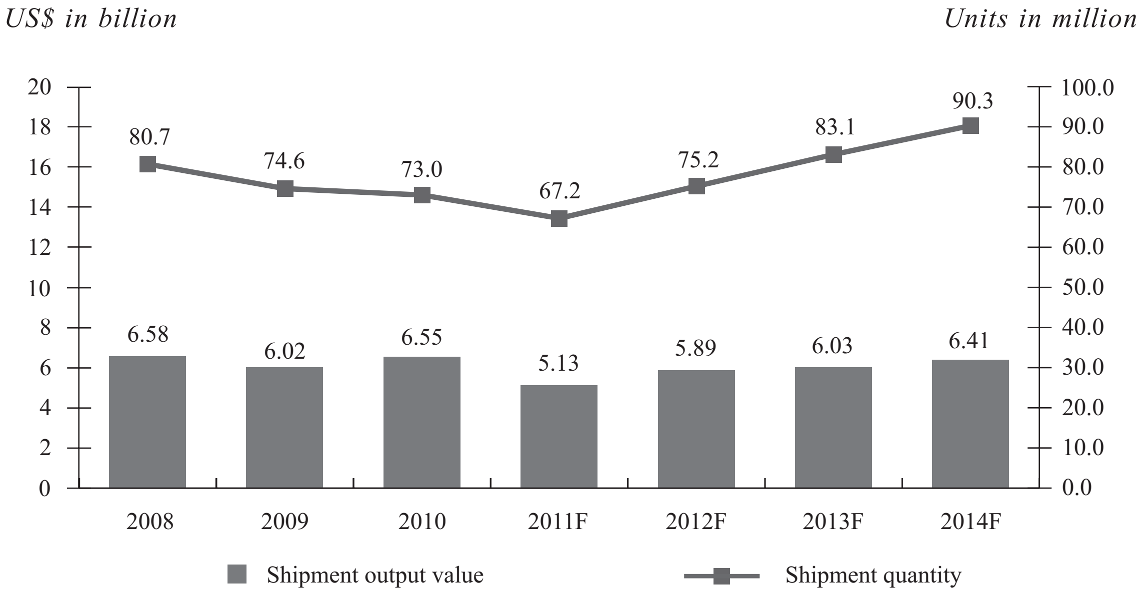
Synovate projects the global market sales value of the video graphics cards in the workstation and enthusiast segments together have been growing rapidly from the combined share of approximately 29.4% in 2008 to approximately 53.8% of the total market in 2014. Synovate noted that the said segments of video graphics cards are highly influenced by the worldwide economy and the demand for desktop computers. The market sales value for the workstation segment dropped by approximately 21.3% from 2008 to 2009 during the recession period and recovered significantly by approximately 64% in 2010. The enthusiast segment declined by approximately 9% and recovered by 18% during the same periods.

However, these two types of video graphics cards are highly influenced by the worldwide economic situation and the demand for desktop PCs. The market sales value for workstation segment dropped by approximately 21.3% from 2008 to 2009 during the recession period and recovered significantly by approximately 64.0% in 2010. The sales value of the enthusiast segment declined by approximately 9.0% and recovered by approximately 17.8% over the same period.

The global market sales value of the video graphics cards of the performance segment and mainstream segment have been decreasing at a CAGR of approximately 5.4% and 6.6%, respectively from 2008 to 2014. Impact from the economy also exists, and the trend of increase in use of laptop computers and the growing adoption of GPU-embedded CPUs are the key factors affecting the market sales value of the add-in video graphics cards in the performance and mainstream segments. It is expected that the majority of the demand for add-in video graphics cards will be in emerging markets, such as China, India and Eastern Europe.

The chart below illustrates a supply side view of the global shipment output value and quantity for add-in video graphics cards in the periods specified. Shipment in a period may be consumed in the same period or carried forward as inventory.

Global Shipment Output Value and Quantity for Add-in Video Graphics Cards from 2008 to 2014



Sources: Synovate interviews and analysis

The global shipment quantity of add-in video graphics cards declined by approximately 4.9% of CAGR, from approximately 80.7 million units in 2008 to approximately 73.0 million units in 2010. It was expected to decrease further by approximately 7.9% to approximately 67.2 million units in 2011.

The drop of shipment quantity was partially due to the introduction of HPGs and EPGs. The decrease in the demand for desktop PCs and the increase in the demand for portable computers had driven some manufacturers of add-in video graphics cards to manufacture portable computers. As the cost of raw materials for GPUs was increasing and the market value for add-in video graphics cards was decreasing, the manufacturers tended to produce high margin products, namely, products in the enthusiast and workstation segments.

It is expected that the global shipment quantity and output value of add-in video graphics cards will increase at a CAGR of approximately 10.4% and 7.7% from 2011 to 2014. It is due to the demand in the workstation, enthusiast, performance and mainstream segments in Asia and Eastern Europe regions. The manufacturers of add-in video graphics cards have greater bargaining power of product price than the retailers. Synovate expected that the shipment price of the add-in video graphics cards will decrease by approximately 1.9% from 2011 to 2014, which is less than the expected price decrease in the market price of add-in video graphics cards by approximately 2.5% over the same period.

Competition in the global add-in video graphics cards market

The table below sets forth the top six add-in video graphics cards manufacturers in the world in 2010.

Top 6 Manufacturers Selling Video Graphics Cards in Global Market in 2010

Rank	Name of Company	Headquarter Location	Revenue in 2010	Share of Revenue in 2010	Output Quantity in 2010	Share of Output Quantity in 2010	Features and coverage
			(US$ billion)	*(%)*	*(million units)*	*(%)*	
1	Micro-Star International Co. Ltd. ("MSI")	Taiwan	0.57	8.7%	7.9	10.8%	Manufacturing of AMD and NVIDIA based video graphics cards
2	PC Partner Ltd.	Hong Kong	0.56	8.5%	12.4	17.0%	Manufacturing of AMD and NVIDIA based video graphics cards
3	Palit Microsystem Ltd. ("Palit")	Taiwan	0.50	7.6%	13.0	17.8%	Manufacturing of AMD and NVIDIA based video graphics cards
4	ASUSTek Computer Inc. ("ASUS")	Taiwan	0.43	6.6%	6.0	8.2%	Manufacturing of AMD and NVIDIA based video graphics cards
5	Gigabyte Technology Co. Ltd. ("Gigabyte")	Taiwan	0.32	4.9%	3.1	4.2%	Manufacturing of AMD and NVIDIA based video graphics cards
6	XFX (Division of Pine Technology Holdings Ltd.)	US/Hong Kong	0.21	3.2%	2.2	3.0%	Mainly manufacturing of AMD and NVIDIA based video graphics cards
Others			3.96	60.5%	28.4	39.0%	
Total			6.55	100.0%	73.0	100.0%	

Notes: (1) Currency in 2010: US$1=HK$7.7707; US$1=NT$31.642; (2) Figures above only based on the companies' VGA business; (3) Figures for ASUSTek Computer Inc. do not include the figures of its subsidiary Pegatron Corporation

Sources: Annual reports 2010; Synovate interviews and analysis

The demand for high visual quality and high performance in lower power consumption add-in video graphics cards are the key market drivers. The key drivers are elaborated below.

The demand for high quality video display for desktops

Consumers are using larger dimension and widescreen monitors for PC games, movies, animations, and other visual entertainment. As consumers look for add-in video graphics cards to satisfy their needs for better display quality, it will push the demand for high quality add-in video graphics cards, and hence driving market growth.

The growth of desktop PC use in emerging markets

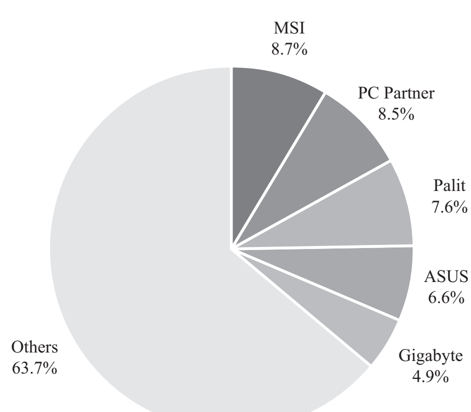
As the urbanisation is increasing in emerging markets such as China and India, the penetration rate of desktop PC usage as well as the internet have been increasing in double digit growth rate. This has increased the demand for add-in video graphics cards especially in the mainstream and performance segments, representing a growth driver.

Energy saving considerations demand faster GPUs embedded add-in video graphics cards with lower power consumption

As technology is advancing, add-in video graphics cards with faster processing speed and larger memory will consume more power. This is against the trend of energy saving and environmental protection principles. Therefore, it is a driver for add-in video graphics cards manufacturers to offer high performance cards with lower power consumption.

There are approximately 20 manufacturers of add-in video graphics cards in the global market, and the top 5 video graphics cards manufacturers shared approximately 36.3% of the total shipment output value, approximately US$6.55 billion in 2010. Total shipment value of top 5 manufacturers in 2010 was approximately US$ 2.38 billion.

The following chart illustrates the market share in terms of shipment value of the top 5 add-in video graphics cards manufacturers.



Sources: Synovate interviews and analysis

The competition among the add-in video graphics cards manufacturers not only focused on the sales capability, but also on the material sourcing capability. Raw materials are controlled by limited number of suppliers, especially the GPUs, which is the heart of an add-in video graphics cards. The supply of GPUs is essentially controlled by NVIDIA and AMD.

Price, sales channel network, and the quality (in terms of performance and reliability) of the add-in video graphics cards are important factors that the manufacturers are competing on in order to increase their competitiveness and penetration in the market. The manufacturers who also target at the replacement or upgrade market are also pursuing brand-building strategies.

Material shortage may lead to an add-in video graphics card manufacturer to be unable to fulfill market demand, which drives their customers away to purchasing other brands or from other manufacturers, thus losing their market share to other manufacturers.

Future opportunities

China, India and other emerging countries are becoming the key markets of both new, replacement and upgrade opportunities for add-in video graphics cards. As consumers in these countries become wealthier, which is beneficial to the growth in personal consumption and business needs, the demand for higher quality add-in video graphics cards for desktop PCs will increase greatly from about 25% in 2011 to about 40% of the total global demand. Desktop PCs will still be their choice of computing hardware.

The three-dimensional ("3-D") visual feature has began to be a major opportunity for the manufacturers to offer high quality add-in video graphics cards.

The discrete add-in video graphics cards demand from professionals such as animation designers, architects and interior designers etc. will also be an important market, which is the opportunity segment for the manufacturers to sustain their business. Synovate expected that the GPU-embedded CPUs still cannot replace the discrete add-in video graphics cards for the high performance required to fulfill the professional demand.

Challenges

While NVIDIA's Quadro maintains leadership in the professional graphics space, AMD and Intel are catching up by introducing new products. Fierce competition among these three players may push down NVIDIA's average professional GPU prices in the future, which may affect the supply of GPUs to add-in video graphics card manufacturers.

The increasing supply and demand for GPU-embedded CPUs will affect the sales of manufacturers who focus on producing discrete add-in video graphics cards. It is estimated that approximately 60% to 70% of the desktop PC will have such GPU-embedded CPUs in new shipments in 2012. This trend may firstly affect the demand for add-in video graphics cards of the mainstream and performance segments. Thus, manufacturers, especially those focusing on mid and low end card production, may need to change their business strategies and directions to compete in the market.

As the product cycle of add-in video graphics cards is being reduced from previously approximately 1 year to currently approximately 6 months, the manufacturers or brand owners need to have research and development team of higher capability than before.

The manufacturers are facing difficulty in estimating and forecasting future demands because the market is very dynamic. Preference and demand trends may change abruptly.

Business operating environment

Although there is a tendency that the younger generation consumers would migrate from desktop PCs to mobile computing devices such as smart phones, Internet Media Tablets and the like, there remains a market for desktop PCs and therefore a demand for add-in video graphics cards.

Manufacturers are facing short product cycle of approximately six months. Add-in video graphics cards are based on GPUs mainly supplied by two dominating suppliers, namely, NVIDIA and AMD. There could be little product differentiation. It becomes essential to have strong research, development and engineering capabilities to provide short development lead-time and achieve early launch of new products.

The recent economic development in the US and the European Union is a cause for concern. The historic downgrading of the US's credit rating and the debt problems of some of the European countries have prompted economists to revise downwards of their forecasts of economic growth. According to Synovate, both the GDP growth in the US and the European Union are projected to grow by approximately 1.1% in 2012 compared with the projected growth of approximately 1.5% in 2011. Economic growth in Asia remains relatively more encouraging but still projected to show declines from 9.5% in 2011 to 8.7% in 2012 (China), 7.8% to 7.4% (India) and 5.1% to 2.8% (other Asian countries). While the government of many leading economies are providing liquidity to the market to avoid credit crunch as well as to stimulate economic growth, such measures appeared to have stabilised the financial crisis that occurred in 2008, the ultimate success of the same remains to be seen. There is a certain degree of uncertainty in the overall outlook.

Barriers of entry

There are substantial barriers to entering the add-in video graphics cards manufacturing business in terms of finance, technological know-how and reputation. Significant initial investment and strong financial capability are required to set up and operate a manufacturing business equipped with advanced technology and research and development capabilities. Manufacturing in a fast moving market with short product cycle, strong capital base and cash flow are necessary to support early stage development of a new entrant.

The add-in video graphics cards manufacturing industry is a technology-intensive industry. Strong research and development and engineering talents are necessary to sustain market share in the enthusiast segment by producing quality products yet maintaining short development time-line so as to beat competitors to launching new products.

There are approximately 20 add-in video graphics cards manufacturers in the global market. Maintaining a good reputation on brand recognition, on quality in terms of reliability and performance is a key to sustaining market share in the competitive market. Synovate estimated that it will take 3 to 5 years for a new entrant to build up reputation in the add-in video graphics cards manufacturing market.

TABLET PC MARKET

Introduction

Tablet PCs are small, thin computer device that has many key features of a full-size personal computer. A tablet PC is essentially a small laptop computer without a keyboard, equipped with a touchscreen as an input device. Internet Media Tablet is a type of tablet PC.

The use of tablet PCs has become increasingly popular world-wide. Tablet PCs may combine the functions of laptop computers and smart phones and support different usages, such as for business or for leisure. The adoption of tablet PCs has started in different industries, such as professional services, media and graphics, etc. They enable users to immediately access and exchange data and information, as well as communicate from anywhere, at any time.

Market size of tablet PC

Synovate estimated that the sales volume of tablet PCs was approximately 53.5 million units in 2010, with a sales value of approximately US$20 billion. Among all the different brands of tablet PCs, including Apple, Samsung, Acer, Asus, etc., Apple's iPad had approximately a 66% share of the total market, in terms of sales volume across in 2010. It is expected that the sales volume and value of tablet PCs will increase by approximately 21% and 15% to reach approximately 65 million units and approximately US$23 billion, respectively in 2011.

North American and Western European markets combined shared approximately 70% of the total sales value of tablet PCs in 2010. The Japanese market shared about 8%, while the rest of the world shared about 22% of the total sales value of tablet PCs in 2010. Sales in markets such as China, India, Central and Eastern Europe, Asia Pacific and the Middle East are expected to increase as tablet PCs are becoming more widely supported by mobile telecommunications operators and suppliers.

Demand outlook

Enterprises have shown their interest and needs in adopting tablet PCs, as it is a convenient portable tool to use when they are selling, showing graphics and documents, and communicating in real time sense. In terms of business usage, tablet PC is replacing part of the function of laptop computers.

It is expected that the demand for tablet PCs will maintain the current growing trend as the processing power becomes more powerful and application software become more diverse.

OVERVIEW

As at the Latest Practicable Date, the Group's main business operations are based in Hong Kong and in the PRC. The Group is principally subject to the relevant laws and regulations in Hong Kong and in the PRC. This section contains a brief description of certain aspects of PRC laws and regulations, which are relevant to the Group's operations and business.

Establishment of foreign invested enterprises

Pursuant to the "Catalogue of Industries for Guiding Foreign Investment (2007 Revised)" promulgated by the Ministry of Commerce and National Development and Reform Commission on 31 October 2007 and effective from 1 December 2007, and based on the scope of operation of the Group's operating subsidiaries in the PRC, they are classified as "permitted" foreign-invested enterprises, and the manufacture and sale of computers and computer peripheral equipment, electronic parts and components are also "permitted".

The Group's PRC subsidiary, Dongguan Baineng, has obtained signed confirmation letters dated 18 January 2011 and 7 November 2011, respectively from Dongguan Foreign Trade and Economic Cooperation Bureau (東莞市對外貿易經濟合作局), confirming that no violation of foreign investment laws and regulations has been discovered since Dongguan Baineng's incorporation, and Dongguan Baineng have not been subject to any administrative penalties.

Laws, regulations and regulative documents related to the business of processing trade

The "Provisional Measures for the Management of Examination and Approval of Processing Trade" was promulgated on 27 May 1999 and implemented on 1 June 1999 pursuant to the "Circular of the Ministry of Foreign Trade and Economic Cooperation on Printing and Distributing the Provisional Measures for the Management of Examination and Approval of Processing Trade". The measures require that the commencement of processing trade by operating enterprises must be filed with the relevant foreign economic and trade authorities for prior approval and obtain a permit for processing trade issued by the review and approval authority.

The "Regulatory Measures for the Management of Processing Trade Goods by the Customs of the People's Republic of China" (Promulgated on 26 February 2004 as Order of the General Administration of Customs No. 113 pursuant to the Order of the General Administration of Customs No. 168 "Amendments to the 'Decisions of the General Administration of Customs on the Regulatory Measures for the Management of Processing Trade Goods by the Customs of the People's Republic of China'"), the local customs authority manages the filing, import and export declaration, processing, regulation, verification and other procedures related to processing trade goods of processing trade enterprises. The operating enterprise shall file the processing trade goods with the local customs authority of the processing enterprise; maintain a register of processing trade, special customs declaration forms for processing trade import/export goods and other forms and certificates for customs declaration procedures of processing trade goods; process the imported materials and items for export within the required period and file with the customs authority for verification within 30 days from the date of export of the last batch of finished goods under the register of processing trade or the date of expiry of the register of processing trade. It is also required that domestic sale of tax-free materials or finished goods imported for processing trade due to certain reasons is subject to imposition of tax and interest rate for deferred payment of tax on the imported tax-free materials based on the valid approval document for domestic sale from the relevant authority; and submit import permit to the customs for imported materials and items subject to import restrictions of the PRC Government.

The PRC Legal Advisers have confirmed that the Group's PRC subsidiaries have obtained the necessary certificates, approval, registrations and filings by the relevant PRC authorities in relation to processing trade and each of the same is in full force and effect during the Track Record Period and up to the Latest Practicable Date.

The Group's PRC subsidiaries, Dongguan Baineng and Dongguan Tianpei, have obtained signed confirmation letters dated 28 January 2011 and 11 November 2011 respectively from Dongguan Administration for Industry and Commerce (東莞市工商行政管理局), confirming that there are no records indicate that Dongguan Baineng and Dongguan Tianpei have violated the laws and regulations related to the administration of industry and commerce.

Dongguan Baineng has also obtained signed confirmation letter dated 15 February 2011 and 7 November 2011 respectively from PRC Taiping Customs (中華人民共和國太平海關), confirming that Dongguan Baineng has complied with all applicable customs laws and regulations and is not subject to any customs administrative penalties since its incorporation in 2009 up to the confirmation date.

Laws and regulations related to environmental protection

On 29 November 1998, the State Council promulgated the "Administrative Regulation on Environmental Protection in relation to Construction projects", and on 28 October 2002, the Standing Committee of the National People's Congress approved the "Law of the People's Republic of China on Appraising of Environment Impacts" which came into effect on 1 September 2003. Pursuant to the above law and regulation, the PRC government sets up a system to assess the environment impact of construction projects and implements classified management of the environmental impact assessment in accordance with the level of impact. For any construction project that may cause significant environmental impact, an environmental impact assessment report shall be prepared to fully assess the environmental impact caused. For any project that may cause mild environmental impact, an environmental impact report shall be prepared to analyse or assess the environmental impact caused. For any project that may cause very little environmental impact and requires no environmental impact assessment, an environmental impact log shall be filled in. Enterprises responsible for the project construction shall submit the above environmental impact assessment documents to the relevant environmental protection administration for review and approval. Any enterprise that fails to submit the above environmental impact assessment documents in accordance with the laws and regulations of the PRC, or in case these documents are not approved upon review by the relevant administration departments, the department responsible for approving the relevant project shall not approve the project, and the enterprise shall not proceed with the construction of the project.

Pursuant to the "Environmental Protection Law of the People's Republic of China" passed and promulgated by the Standing Committee of the National People's Congress on 26 December 1989, the environmental protection administration of the State Council stipulated the national standard for environmental quality. For projects not stipulated under the national standard for environmental quality, the PRC Government at the province, autonomous region and municipal level may stipulate the local standard for environmental quality and file the relevant standard with the environmental protection administration of the State Council.

The Group's PRC subsidiaries, Dongguan Baineng and Dongguan Tianpei, have obtained signed confirmation letters dated 27 January 2011 and further confirmation letters dated 14 November 2011 from Dongguan Environmental Protection Bureau (東莞市環境保護局), confirming that Dongguan Baineng and Dongguan Tianpei have complied with applicable laws and regulations related to environmental protection, no pollution accidents and environmental non-compliance activities have been committed by Dongguan Baineng and Dongguan Tianpei since 1 January 2008 up to the confirmation date.

The operation of enterprises must abide the relevant environmental laws and regulations in the PRC, which include the "Law of the People's Republic of China on the Prevention and Control of Water Pollution", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution", the "Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise", and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste". The environmental laws and regulations manage extensive issues related to the environment, including air pollution, noise emission, and wastewater and water discharge. Pursuant to these environmental laws, all business operations that may cause environmental pollution and other public hazards must introduce environmental protection measures in their plants and establish a reliable system for environmental protection. As required, these operations shall adopt effective measures to prevent and control the level of environmental pollution and hazards produced during the process of production, construction or other activities in the form of exhaust fume, waste liquids, solid waste, dust, pungent gases, radioactive materials, noise, vibrations and electromagnetic radiations.

Laws and regulations related to taxation

The "Enterprise Income Tax Law of the People's Republic of China" and its implementing rules came into effect on 1 January 2008, requiring all foreign-invested enterprises and domestic enterprises to pay enterprise income tax at a uniform rate of 25%. Apart from resident enterprises, non-resident enterprises shall also pay enterprise income tax for income originated from the PRC. For non-resident enterprise that have not set up institutions or establishments in the PRC or institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments, they shall pay enterprise income tax for income originated from the PRC at the tax rate of 20%. Dividends, bonuses, and other equity investment proceeds distributed between qualified resident enterprises, and dividends, bonuses, and other equity investment proceeds obtained by non-resident enterprises setting up institutions or establishments in the PRC that has an actual relationship with the institutions or establishments shall be tax free.

Pursuant to the "Arrangement Between the Mainland and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion" signed on 21 August 2006 (in the PRC, effective for proceeds obtained in taxable years beginning on 1 January 2007 and after; in the HKSAR, effective for proceeds obtained in taxable years beginning on 1 April 2007 and after), companies incorporated in Hong Kong shall pay withholding tax at a rate of 5% for the dividends received from its PRC subsidiary, provided that the Hong Kong company holds 25% or more interests in the PRC subsidiary at the time of dividend distribution of the PRC subsidiary. In case the Hong Kong company holds less than 25% in that company, tax is payable at a rate of 10%.

The PRC Legal Advisors have advised that the Group's PRC subsidiaries have been duly registered with relevant taxation authorities and obtained all requisite taxation registration certificates necessary under PRC laws and regulations. Such requisite taxation registration certificates are current and valid as at the date of the general PRC legal opinion issued by the PRC Legal Advisors.

The Group's PRC subsidiaries, Dongguan Baineng and Dongguan Tianpei, have obtained signed confirmation letters dated 14 January 2011 from Dongguan State Taxation Bureau (東莞市國家稅務局), confirming that since their incorporation, Dongguan Baineng and Dongguan Tianpei have filed and paid taxes in accordance with applicable tax laws and regulations, there are no records indicate that Dongguan Baineng and Dongguan Tianpei have committed any tax illegal activities, Dongguan Baineng and Dongguan Tianpei are not subject to any tax administrative penalties.

The Group's PRC subsidiaries, Dongguan Baineng and Dongguan Tianpei, have obtained signed confirmation letters dated 21 January 2011 from Dongguan Municipal Local Taxation Bureau (東莞市地方稅務局), confirming that other than Dongguan Tianpei was fined of RMB160 due to an overdue filing of stamp duty on 27 May 2010, no violation of taxation laws and regulations situation have been discovered up to the confirmation date. Dongguan Tianpei confirmed that the above mentioned non-compliance has been duly rectified.

Laws, regulations and regulative documents related to labour, Social Insurance and housing provident fund

The "Labour Contract Law of the People's Republic of China" which came into effect on 1 January 2008 requires that an employer and its employee shall enter into a labour contract in written form, and also stipulates the legal liability of violating the relevant requirements. If the employer fails to enter into a written labour contract with the employee for one month to one year from the date of actual employment, the employer shall pay to the employee twice his/her salary for the relevant month. If the employer fails to enter into a written labour contract with the employee after one year from the date of actual employment, a labour contract with unspecific term shall be deemed to be entered into by the employer and the employee. The employer shall not force the employee to work overtime or do so in a disguised form. If the employer arranges for the employee to work overtime, it shall pay him/her overtime payment in accordance with the relevant state regulations. In addition, the reward for labour shall not be lower than the local minimum wage standard, and the employer shall timely pay the labour reward to the employee in full amount.

Pursuant to the "Labour Law of the People's Republic of China" which came into effect on 1 January 1995, enterprises and institutions shall establish and perfect their work safety and hygiene systems, strictly comply with the relevant work safety and hygiene requirements and standards, and educate their employees on matters related to work safety and hygiene. The work safety and hygiene facilities shall comply with the required standards of the PRC Government. Enterprises and institutions shall provide to their employees work safety and hygiene conditions that comply with the national requirements and the labour protection rules.

On 24 January 2011 and 9 November 2011, respectively, Dongguan Human Resources Bureau (東莞市人力資源局) issued a confirmation to each of Dongguan Baineng and Dongguan Tianpei confirming that they complied with the laws and regulations related to labour in the PRC, and did not have any record of penalty for breaching the laws and regulations related to labour in the PRC.

Social Insurance is the core of social security system, which consists of various funds in the PRC, including pension insurance, medical insurance, unemployment insurance and occupational injuries insurance (details may vary with the requirements of laws in different regions). Employers have the responsibility to contribute to the relevant social security institutions the part of Social Insurance premium payable by the employer, and withhold and submit to the relevant social security institutions the part of Social Insurance premium payable by the employee. If an employer fails to pay the Social Insurance premium or withhold the payment payable by the employee, it may be ordered by the relevant labour and social security authorities or the department of taxation to make the relevant payment during a specific period of time and may be subject to fines.

However, the PRC Legal Advisors have advised that the abovementioned PRC subsidiaries have not made Social Insurance and housing provident fund contributions for certain of their employees in accordance with relevant PRC laws and regulations during the Track Record Period.

The Group's PRC subsidiaries are required by the relevant PRC laws and regulations to make contributions, by way of employer's contributions and employees' contributions, to various Social Insurance schemes. The PRC employees of the Group who are migrant workers from provinces outside Guangdong have difficulty in transferring their Social Insurance to their home cities when they leave Dongguan. For such reason, some of these migrant refuse to participate in Social Insurance schemes and have deductions made to their salaries to fund the employees' contributions. Accordingly, the Group did not enroll and make contributions in respect of Social Insurance schemes for the employees who did not participate. The Group started to enroll and make contributions for such PRC employees in the first quarter of 2011 and according to the letters of confirmation issued by Dongguan City Social Insurance Authority Houjie Branch (東莞市社會保障局厚街分局) dated 9 March 2011 and 3 November 2011, respectively, each of Dongguan Baineng and Dongguan Tianpei (i) complied with the applicable Social Insurance laws and regulations in relation to Social Insurance; (ii) was not subject to any administrative penalties due to the violation of Social Insurance Laws and regulations; and (iii) there was no existence of default on Social Insurance payment since incorporation.

Each of the Controlling Shareholder and surviving Co-founders agreed and undertook with each of the Group Companies that it will jointly and severally indemnify and at all times keep the Group Companies and each of them fully indemnified on demand against:

(a) any liabilities to pay Social Insurance and housing provident funds contributions for or in relation to the employees of the Group prior to the date on which the conditions stated in the paragraph headed "Conditions" under the section headed "Structure and conditions of the Offering" in this prospectus being fulfilled (the "Effective Date") as required by applicable laws and regulations of the PRC, and in the case of Social Insurance, to the extent if such payment is in excess of the provisions made in the accountants' report as set out in the Appendix I to this prospectus; and

(b) any fines and/or penalties that may be imposed by the relevant authorities of the PRC in connection with the non-payment within the relevant specified period (if any) of Social Insurance and housing provident funds prior to the Effective Date.

The PRC Legal Advisers advised that an employer who fails to declare the due Social Insurance contribution amount may be ordered by the relevant authority-in-charge to rectify the problem within a stipulated period. In serious cases, a fine in the amount between RMB1,000 and RMB5,000 may be imposed on officers-in-charge who are directly responsible and other officers who are directly responsible. In more serious cases, a fine in the amount between RMB5,000 and RMB10,000 may be imposed on the officers who are directly responsible and other officers who are responsible. An employer who fails to withhold and pay its portion of Social Insurance contributions may be ordered by the relevant authority to pay the outstanding contributions within a stipulated period. In the case that payment is still not made within the stipulated period, the employer may be ordered by the relevant authority to pay the overdue amount, and also a late payment fee of 0.2% of the cumulative outstanding amount per day, calculated from the date the relevant Social Insurance contribution amount becomes overdue until the date that full payment is made. Furthermore, employees of the Group have the right to ask the Group to pay the unpaid employees' contributions, pay any associated costs and compensation, or use the non-payment of such contributions as grounds to terminate their employment with the Group and seek the relevant compensation.

Historically, the PRC employees of the Group were reluctant to make employees' contributions to the housing provident funds through deductions from their salaries and the Group has not registered for housing provident fund until 16 May 2011. The PRC Legal Advisers advised that an employer who fails to pay, or pays an amount less than, its portion of the housing provident fund contributions may be ordered by the housing provident fund management centre to pay any outstanding contributions into a designated account within a stipulated period. In the event that payment is still not made within the stipulated period, the Housing Provident Fund Administration Centre (住房公積金管理中心) may apply to the court for mandatory enforcement. On the basis that the Group will pay the outstanding contributions within the stipulated period, the Group will not be subject any fine.

Pursuant to the requirements of the "Regulation on the Administration of Housing Accumulation Funds" (2002 Amendments) and the relevant laws, regulations and regulative documents, an employer shall pay housing provident fund for its employees who each has established a labour relationship and entered into a labour contract with the employer. The employer shall register for housing provident fund payment at a housing provident fund management centre and open a housing provident fund account for its employees at an entrusted bank. The employer shall timely make payments for the housing provident fund in full amounts. If the employer violates the relevant requirements, it will be ordered by the housing provident fund management centre to complete the procedures in a specific timeframe.

The Group's PRC Legal Advisers have advised that, in respect of the housing provident fund registration and payment shortfall, the housing provident fund authorities may order Dongguan Baineng and Dongguan Tianpei, respectively, to comply within specified periods. Failure to comply with the registration requirement may each result in fines between RMB10,000 and RMB50,000. The housing provident fund authorities may order the Group to make payment against the unpaid contributions within a specified period. In the event that the Group does not comply, the housing provident fund authorities may obtain mandatory enforcement court orders. Historically the PRC employees of the Group were reluctant to make employees' contributions to the housing provident funds through deductions from their salaries and the Group has not registered for housing provident fund until 16 May 2011. The PRC Legal Advisers made enquiries with the Dongguan Housing Provident Fund Administration Centre (東莞市住房公積金管理中心) in April 2011 and advised that in relation to entities which are unregistered and had not contributed to housing provident funds, if there is no complaint against such entities, the said centre will not request such entities to pay the amount in arrears. In the event that there is a complaint by an employee, the Centre will investigate each case on its merit and determine whether to pursue the arrears. In the event that such arrears are pursued, the entities and the employees concerned are responsible for their respective proportion of employers' and employees' contributions.

Dongguan Baineng and Dongguan Tianpei have effected their respective housing provident fund Scheme registrations with the Dongguan Housing Provident Fund Administration Centre on 16 May 2011. Thus, fines in respect of non-registration are no longer applicable.

Considering that (1) some employees of the abovementioned subsidiaries are from the rural areas outside of Dongguan city, who, the Company understands, will have difficulty in transferring their Social Insurance contributions to other localities when they leave Dongguan city and, as such, some of these rural workers are reluctant to participate in Social Insurance schemes and make their own portion of contribution; (2) the PRC Legal Advisers made enquiries in October 2010 and November 2011, respectively, with the Dongguan City Social Insurance authority and established that there are no implemented policy regarding the repayment of the unpaid contributions in Dongguan city (According to article 7 of the PRC Social Insurance Law (《中華人民共和國社會保險法》), the local people's government Social Insurance administration departments at county level or higher are responsible for administering Social Insurance in the PRC. Accordingly, the PRC Legal Advisers confirmed that the Dongguan Social Insurance Bureau (東莞市社會保障局) is the competent authority to consider the said issue); (3) The PRC Legal Advisers made enquiries with the Dongguan Housing Provident Fund Administration Centre (東莞住房公積金管理中心) and advised that in relation to entities which are unregistered and had not contributed to housing provident funds, if there is no complaint against such entities, the said centre will not request such entities to pay the amount in arrears. In the event that there is a complaint by an employee, the Centre will investigate each case on its merit and determine whether to pursue the arrears. In the event that such arrears are pursued, the entities and the employees concerned are responsible for their respective proportion of employers' and employees' contributions; (4) according to article 20 of the *Labour Protection Monitoring Regulations* (《勞動保障監察條例》) the Labour Protection Administrative Department (勞工保障行政部門) will not investigate cases of breach of the laws and regulations in relation to labour protection which are not discovered by the said department, reported or complained within two years; (5) the Group has received the abovementioned confirmations from each of the Dongguan Human Resources Bureau (東莞市人力資源局) and Dongguan Social Security Bureau Houjie Branch (東莞市社會保障局厚街分局); (6) the Group's PRC subsidiaries have never received any payment notification or order from the Dongguan Social Insurance Bureau (東莞市社會保障局) or Dongguan Housing Provident Fund Administration Centre (東莞市住房公積金管理中心), nor have they received any investigation, questioning or penalty from the relevant government authorities due to violation of the relevant Social Insurance and housing provident fund laws, regulations, policies, or notification or order from other government authorities, the PRC Legal Advisors are of the opinion that although the Group's PRC subsidiaries are not in strict compliance with relevant Social Insurance and housing provident fund rules and regulations, the possibility of the Group's PRC subsidiaries being penalised for the non-compliance is quite small.

The Group had made provisions in its financial statements in respect of Social Insurance shortfalls, which were computed based on relevant prevailing laws and regulations in the PRC. The provisions for Social Insurance contributions as at 30 June 2011 were approximately HK$32.5 million (please refer to note 25(a) of the Accountants' Report).

In view of the foregoing, the Directors are of the view that the above non-compliance will not have a material and adverse impact on the Group's business operations.

Laws and regulations related to foreign exchange management

Pursuant to the "Regulation of the People's Republic of China on Foreign Exchange Administration" promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 1 August 2008 respectively, Renminbi is freely convertible only to the extent of current account items, such as dividend distributions, interest payments, and trade and services related foreign exchange trades that complied with certain procedural requirements. Capital account items, such as direct equity investments, loans and repatriation of investments, are subject to the prior approval of SAFE or other local authorities for the conversion of Renminbi into a foreign currency and remittance of the foreign currency outside the PRC.

The Group's PRC subsidiary, Dongguan Baineng, has obtained signed confirmation letter dated 24 January 2011 and a further confirmation letter dated 11 November 2011 from State Administration of Foreign Exchange Dongguan Branch (東莞市國家外匯管理局東莞市中心支局), confirming that no non-compliance records have been discovered with respect to foreign exchange since Dongguan Baineng's incorporation.

Save as disclosed above the non-compliance in respect of Social Insurance and housing provident funds contributions during the Track Record Period, the PRC Legal Advisors opined that during the Track Record Period and up to the Latest Practicable Date, the Group's PRC subsidiaries complied with all relevant regulatory requirements and obtained all relevant and necessary permits and licences for its operations. The Group intends to establish an internal audit department to carry out internal control review of the Group and to monitor ongoing compliance with relevant regulatory requirements.

THE GROUP'S HISTORY

The Group owes its origin to PC Partner, which was incorporated in Hong Kong in February 1988. PC Partner was previously part of the computer products division and a wholly owned subsidiary of VTech Holdings Limited, a company which shares are listed on the Stock Exchange. Led by the late Mr. Ho Hin Wun Bosco, PC Partner Holdings was formed in May 1997 to buy-out PC Partner (formerly known as VTech Computers International Limited) when the VTech Group decided to focus on businesses of other products. At the time of the transaction, PC Partner operated within the computer division of the VTech Group, and the principal business was the supply of computer motherboards, computer cases, power supply and other computer components.

On 2 May 1997, 3,400,000 PC Partner Holdings shares of US$1.00 each were issued at a price of US$1.00 each as follows: 1,000,000 shares to Mr. Ho Hin Wun Bosco, 1,000,000 shares to Classic Venture, 1,000,000 shares to Mr. Wong Shik Ho Tony, 150,000 shares to Mr. Leung Wah Kan, 150,000 shares to Mr. Wong Fong Pak (the "co-founders") and the remainder 100,000 shares to five other individuals, three of them are currently employees of the Group. Mr. Ho Hin Wun Bosco was a former director of certain subsidiaries of VTech Group and resigned from all such directorships with effect from 23 June 1997. Mr. Wong Fong Pak, Mr. Wong Shik Ho Tony and Mr. Leung Wah Kan were former members of the senior management team of the computer division of the VTech Group and they resigned from such employment with effect from 1 June 1997. On 21 June 1997, VTech Group entered into a conditional share sale and purchase agreement with PC Partner Holdings and each of the co-founders for the sale by VTech Group to PC Partner Holdings of VTech Group's entire interest in the issued share capital of PC Partner, a wholly owned subsidiary of VTech Group at the time of the transaction. In June 1997, PC Partner Holdings was held as to approximately 67.65% by the co-founders.

When the co-founders started the Group's business, the Group was primarily engaged in the manufacturing of PC motherboards and computer barebone systems.

Principal activities of certain subsidiaries of the Group during the Track Record Period

Active Smart Limited is principally engaged in the trading of computer parts. It is a procurement arm of the Group. It sells computer parts to PC Partner and third party customers.

ASK Group is principally engaged in the trading of computer accessories. ASK Group purchases NVIDIA GPUs from PC Partner and subcontracts third parties to manufacture video graphics cards. ASK Group sells video graphics cards to its sales arm Innovision Multimedia as well as third party customers on OEM/ODM basis.

Innovision Multimedia is principally engaged in the trading of computer accessories. It is the sales arm of ASK Group. It purchases video graphics cards from ASK Group and then sells the same to third party customers.

Manli Group is principally engaged in the trading of computer accessories and computers. It outsources the manufacturing of the majority of its video graphics cards, other PC related products and materials to PC Partner.

Double Hero Petroleum Factory Limited is principally engaged in the trading of computer parts. It is a procurement arm of the Group. It sells computer parts to PC Partner and third party customers.

PC Partner is principally engaged in the design, manufacture and sales of computer accessories and computers. PC Partner subcontracts Dongguan Baineng and Dongguan Tianpei to carry out EMS, manufacturing of video graphics cards and manufacturing of other PC related products. PC Partner also subcontracts certain SMT manufacturing with third parties. PC Partner sells finished goods to Manli Group, Zotac Macao and Zotac Nevada. PC Partner sells materials to ASK Group and Manli Group.

Zotac Macao is principally engaged in the trading of computer accessories and computers. It purchases video graphics cards and other PC related products from PC Partner and sells the same to Zotac Korea and third party customers in the EMEAI region.

Zotac Korea is principally engaged in the trading of computer accessories and computers. It purchases video graphics cards and other PC related products from Zotac Macao and sells to third party customers in Korea.

Zotac Nevada is principally engaged in the trading of computer accessories and computers. It purchases video graphics cards and PC related products from PC Partner and sells the same to third party customers in North America, Latin America and South America. It outsources administration and marketing functions to NALA Sales, which NALA Sales charges a fee for the services.

NALA Sales, which ceased to be a Group company on 11 January 2011 (for details please refer to the section headed "History and Development" in this Prospectus), provides administration and marketing service to Zotac Nevada and receives management fees from providing such services.

Dongguan Baineng is principally engaged in the subcontracting of computer accessories and computers. It is a manufacturing arm of the Group and provides manufacturing services to PC Partner under processing-trade arrangements for processing fees.

Dongguan Tianpei is principally engaged in the subcontracting of computer accessories. It is a manufacturing arm of the Group and provides manufacturing services to Dongguan Baineng and PC Partner for processing fees.

汎達全球有限公司 was principally engaged in the trading of computer accessories. It purchased video graphics cards and other PC related products from Manli Group and sells the same to third party customers in Taiwan. For the reason that Manli Group would directly sell the products to Taiwan customers, this company was wound up in June 2011.

The Group's Investment in Sapphire

The Group owned 40% interest in Sapphire when it was incorporated in 2001. The remaining 60% interest in Sapphire was owned by other shareholders who are all Independent Third Parties. Other than sales by the Group to Sapphire, there is no past or present relationship, business or otherwise, between Sapphire and the Directors, substantial Shareholders, senior management of the Group and their respective associates.

During the Track Record Period, Sapphire allotted new shares to its shareholders on two occasions. In line with (i) the Group's businesses of EMS and OEM/ODM manufacturing and (ii) the Group's strategy to further expand its business channels and focus its resources on the sale and distribution of its own branded products, the Group did not pursue to maintain its level of interest in Sapphire on both occasions. Accordingly, on 1 January 2008, the Group's interest in Sapphire was diluted to 18.18%. On 19 August 2010, the Group's interest in Sapphire was further diluted to 4.95%.

The Group has grown substantially in its experience and customer base in contract manufacturing for video graphics cards since 2001 when Sapphire was incorporated. Being a MBA video graphics cards manufacturer for ATI or AMD (as the case may be) since 1998, the Group has been building its reputation as a renowned video graphics card manufacturer. For the three years ended 31 December 2008, 2009, 2010 and in the six months ended 30 June 2011, sales to Sapphire amounted to approximately HK$550 million, HK$499 million, HK$495 million and HK$232 million, respectively, representing 13%, 11%, 9% and 8% of the Group's total sales, respectively. As indicated from the above figures, the Directors believe that the dilution of the Group's interest in Sapphire did not affect its manufacturing relationship with Sapphire, which first purchased the Group's video graphics card in 2001.

In 2005, the Group established the ZOTAC brand and began selling its ZOTAC branded video graphics cards to distributors in the EMEAI and NALA regions in 2007.

In 2005, there was a dispute between (i) Mrs. Ho Wong Mary Mee-Tak, the major shareholder of PC Partner Holdings holding approximately 51% of the total issued share capital of PC Partner Holdings through Classic Venture and Perfect Choice, and PC Partner Holdings as the plaintiffs; and (ii) the co-founders, being shareholders and the then only directors of PC Partner Holdings and HKIC Consultants Limited as the defendants. The dispute involved the validity of the subscription agreement ("**Subscription Agreement**") entered into between PC Partner Holdings and Successfield Investments Limited ("**Successfield**") on 22 August 2005 pursuant to which Successfield agreed to subscribe for 500,000 new shares in PC Partner Holdings at the aggregate consideration of HK$30,000,000, which would result in the dilution of Mrs. Ho Wong Mary Mee-Tak's shareholding in PC Partner Holdings from approximately 51.0% to 44.8%. As Mrs. Ho Wong Mary Mee-Tak did not consent to the entering into of the Subscription Agreement, she brought an action against the co-founders and HKIC Consultants Limited at the High Court of Hong Kong to restrain the allotment of 500,000 shares in PC Partner Holdings to Successfield under the Subscription Agreement (the "**Action**").

On 3 November 2005, the parties to the Action resolved their differences and entered into a deed of settlement ("**Deed of Settlement**") pursuant to which the parties thereto agreed, inter alia, (i) to dismiss and discontinue the Action with no order as to costs, (ii) to cancel the Subscription Agreement, and (iii) to appoint Mrs. Ho Wong Mary Mee-Tak as a non-executive director of PC Partner Holdings. It was also agreed that the unanimous agreement and consent in writing of Mrs. Ho Wong Mary Mee-Tak and the co-founders is required for, inter alia, (i) the issue or allotment of shares or increase in the authorised share capital of PC Partner Holdings and/or its subsidiaries and (ii) the appointment of any new director to the board of directors of PC Partner Holdings. Save as disclosed above, the arrangements under the Deed of Settlement have no impact on the corporate structure of the Group. Further, there is no impact on the business or daily operations of the Group.

In 2008, in order to increase the Group's market share in the video graphics card business, the Group set up two then 60% owned (now 100% owned) subsidiaries, ASK Group and Manli Group to acquire the businesses of ASK Technology and Manli Technology, respectively. Both ASK Technology and Manli Technology were fabrication-less manufacturers, which outsourced all of their manufacturing. Both ASK Technology and Manli Technology were principally engaged in trading of video graphical cards.

In 2008, as both ASK Technology and Manli Technology required additional working capital to maintain their market participation and sustain future growth, their shareholders searched for cooperating partners. In order to capture these opportunities timely and effectively, the Group agreed with each of (i) ASK Technology and Mr. Ho (the beneficial owner of ASK Technology in 2008), and (ii) Manli Technology, Mr. Man and Mr. Lee Wing Chung ("Mr. Lee") (the two beneficial owners of Manli Technology in 2008) to set up ASK Group and Manli Group to acquire the businesses of ASK Technology and Manli Technology, respectively. The effective date of completion of the acquisitions of the businesses of ASK Technology and Manli Technology was 1 April 2008.

Through the acquisitions of ASK Technology and Manli Technology, the Group increased its market share as a producer of NVIDIA based video graphics cards and at the same time increased economies of scale on its purchasing power of NVIDIA GPUs.

Prior to the abovesaid transactions, ASK Technology, Manli Technology, Mr. Ho, Mr. Man and Mr. Lee were all Independent Third Parties.

Acquisition of ASK Technology

ASK Group, 60% owned by the Group and 40% owned by Mr. Ho, was set up in 2008. In 2009 and 2010, Mr. Ho and the Group contributed their respective portion of capital in aggregate of HK$15 million to ASK Group.

In 2008, under a sales and purchase agreement, ASK Technology sold its assets and the then existing business to ASK Group as an expedient way to complete the transaction without the need to carry out extensive inquiry on any legacy of ASK Technology. ASK Technology was a fabrication-less manufacturer of video graphics cards. It outsourced all its manufacturing. ASK Technology transferred its assets (mainly included inventories, trade and other receivables) with cost of approximately HK$115,668,000, its liabilities (mainly included trade and other payables) with cost of approximately HK$81,372,000, and its business (including but not limited to brands, customer list and relationship) to ASK Group at cost of approximately HK$34,296,000. In addition, the Group paid consideration of HK$9,000,000 to Mr. Ho to compensate his loss of controlling rights on the business of ASK Technology, which was based on an agreed multiple of the average annual earnings of ASK Technology and its subsidiary for the previous three financial years. Accordingly, total consideration paid by the Group for the acquisition of the business of ASK Technology was approximately HK$43,296,000.

ASK Technology was established in 1989. For the year ended 31 March 2008, turnover and net profit of ASK Technology and its subsidiary were approximately HK$782,724,000 and HK$10,967,000, respectively. After the completion of the said net assets and business acquisition in 2008, ASK Technology remained beneficially owned by Mr. Ho. ASK Technology still maintained minimal operations to ensure the proper and smooth transfer of business to ASK Group. In January 2011, ASK Technology filed a members voluntary winding up notice to the Companies Registry and ASK Technology was dissolved in November 2011.

Acquisition of Manli Technology

Manli Group, then owned as to 60% by the Group, 20% by Mr. Man and 20% by Mr. Lee, was set up in 2008. In 2009 and 2010, Mr. Man, Mr. Lee and the Group contributed their respective portion of capital in aggregate of HK$7.5 million to Manli Group.

In 2008, under a sales and purchase agreement, Manli Technology sold its assets and the then existing business to Manli Group as an expedient way to complete the transaction without the need to carry out extensive inquiry on the liabilities and any legacy of Manli Technology. Manli Technology was a fabrication-less manufacturer of video graphics cards and certain other PC related products. It outsourced all its manufacturing.

Manli Technology transferred its assets (mainly included inventories) with cost of approximately HK$3,965,000 and its business (including but not limited to brands, customer list and relationship) to Manli Group at cost of approximately HK$3,965,000. In addition, the Group paid each of Mr. Man and Mr. Lee HK$2,250,000 to compensate their loss of controlling rights on the business of Manli Technology, which was based on an agreed multiple of the average annual earnings of Manli Technology and its subsidiary for the previous three years. Accordingly, total consideration paid by the Group for the acquisition of business of Manli Technology was approximately HK$8,465,000. After the completion of the said assets and business acquisitions in 2008, Manli Technology remained beneficially owned by Mr. Man and Mr. Lee.

Manli Technology was established in 1996. For the year ended 30 April 2008, turnover and net profit of Manli Technology were approximately HK$182,367,000 and HK$4,872,000, respectively. During the Track Record Period, a subsidiary of Manli Technology in Shenzhen provided personnel support services relating to the control and purchase of materials and supplies and technical support to Manli Group in connection with the operation of Manli Technology's business in Shenzhen acquired by Manli Group. In February 2011, Manli Group has set up a representative office in Shenzhen to recruit, through an independent agent, staff for provision of such services. As the Shenzhen representative office of Manli Group has become fully operational and has replaced the services from the Shenzhen subsidiary of Manli Technology, Mr. Man and Mr. Lee will take steps to wind up Manli Technology.

History and development of the Group's operations in the PRC

Baineng Factory

Baineng Factory was established in July 1997 as a facility to provide processing services to the Group under a processing agreement dated 23 July 1997 between 東莞對外加工裝配服務公司 and Xianxing Development (both Independent Third Parties, together the "**PRC Party**") and the Group (the "**Processing Agreement**"). According to the Processing Agreement, the Group provided assembly production machinery, all the raw materials, components and packaging materials required for processing services and the PRC Party provided factory premises, electricity and labour for the purpose of carrying out processing services for the Group. The Group paid processing services fees for factory rent, land usage fees and management fees to the PRC Party, and all finished products were exported to the Group. The term of the Processing Agreement was initially from 25 July 1997 to 24 July 2002.

On 28 July 1997, Dongguan City Administration for Industry and Commerce (東莞市工商行政管理局) issued the "Guangdong Specially Permitted Licence of Foreign Processing and Assembly of Supplied Materials"《廣東省對外來料加工特准營業證》) to Baineng Factory. Baineng Factory was a processing enterprise (來料加工企業). Its principal activities were subcontract processing of computers and computer accessories.

Pursuant to relevant PRC laws and regulations, the machineries provided by the Group were exempt from PRC import duty and the materials used for processing were also exempt from import duty and value added tax. The end products derived from such materials were required to be exported. The PRC Party had been succeeded and the term of the Processing Agreement had been extended several times. Immediately prior to the deregistration of the Processing Agreement, the PRC Party was Dongguan Baiye and the term of the Processing Agreement was extended to 25 July 2017.

Processing enterprise was a popular vehicle in the 1990s for foreign businesses to carry out manufacturing activities in the PRC. Lately, the PRC encouraged processing enterprises to transform their operations to wholly foreign-owned enterprise entities. On 23 June 2008, the Dongguan Foreign Trade and Economic Cooperation Bureau (東莞市對外貿易經濟合作局), together with five other Dongguan government bureaus, issued the "Notice concerning the actions required for processing enterprises in Dongguan City to transform into wholly foreign — owned enterprises on the same site without cessation of production" (《關於做好東莞市來料加工企業就地不停產轉三資企業有關工作的通知》(東外經貿[2008]40號)), which stipulated that various government bureaus shall positively support and assist processing enterprises to transform their operations to foreign invested companies on the same site without cessation of production. Such transformation would enable foreign investors to establish limited liability companies at the same site using the same production facilities. Comparing with a processing enterprise, a foreign invested limited liability company is qualified to have a legal person capacity and can have ownership of the production facilities in the PRC.

In order to facilitate the transformation of the operations of Baineng Factory to Dongguan Baineng, a wholly-owned subsidiary of the Group, Dongguan Baiye, Baineng Factory and the Group executed a termination agreement on 19 August 2010 to terminate the Processing Agreement (as amended by various supplemental agreements). Pursuant to the said termination agreement, machinery supplied by the Group to Baineng Factory was released from customs' restrictions and transferred to Dongguan Baineng. All processing contracts signed during the term of the Processing Agreement (as amended by various supplemental agreements) have been filed with the responsible customs authorities for cancellation after verification. All processing fees incurred during the term of the Processing Agreement have been settled. There was no outstanding creditor-debtor relationship existing between Dongguan Baiye and the Group. Accordingly, the business of Baineng Factory was transferred to Dongguan Baineng on the same site without cessation of production. According to the opinion of the PRC Legal Advisers, Baineng Factory was officially deregistered on 23 October 2010. Thus, the transformation was completed.

The Group's PRC Legal Advisers confirmed that Baineng Factory was legally and officially deregistered on 23 October 2010 in accordance with relevant PRC laws and regulations.

Dongguan Baineng

Dongguan Baineng, a wholly-owned subsidiary of the Group, was established in July 2009 as a limited liability wholly foreign-owned enterprise. Dongguan Baineng is principally engaged in the subcontract processing of computers and computer accessories. As set out in the paragraph headed "Baineng Factory" above, the subcontract processing services activities of Baineng Factory, which was deregistered on 23 October 2010, was transferred to Dongguan Baineng on the same site without cessation of production. Dongguan Baineng carries out subcontract processing services for the Group under various processing agreements executed between Dongguan Baineng and the Group. The PRC Legal Advisers has confirmed that all the said processing agreements have been authorised by Dongguan Foreign Trade and Economic Cooperation Bureau and filed with Dongguan Tai Ping Customs.

Cost savings were achieved through the transformation from Baineng Factory to Dongguan Baineng. Baineng Factory was a processing enterprise (來料加工企業) under a "Guangdong Specially Permitted Licence of Foreign Processing and Assembly of Supplied Materials" 《廣東省對外來料加工特准營業證》and thus did not have a legal entity status in the PRC. As a processing enterprise, Baineng Factory was subject to a 7% levy on its expenditure incurred as deemed profit tax (所得稅核定徵收). The Group had to incur a 5% fee for remitting money from PC Partner through an intermediary, a PRC legal entity, to Baineng Factory. After the transformation, Dongguan Baineng, being a PRC legal entity, is taxed at the rate on assessable profits and the Group was no longer required to pay the aforementioned 7% levy and 5% remittance fee.

Dongguan Baineng acquired the entire registered capital of Dongguan Tianpei for a cash consideration of RMB2.5 million in April 2010, making it a wholly owned subsidiary of the Group. (For details, please refer to the section headed "History and Development — Reorganisation" in this prospectus.)

Dongguan Baineng established its Shenzhen branch in April 2010. Its authorised scope of business is to conduct liaison activities and provide in-house design, research and development services on computers and computer accessories for Dongguan Baineng.

Dongguan Tianpei

Owing to the fact that Baineng Factory does not have the right to carry out processing services for products destined for the PRC market, Dongguan Tianpei, a factory, was established to provide the Group with processing services capacity to produce for the local PRC market.

In June 2008, PC Partner Holdings engaged Mr. Lin and Mr. Yin to act as nominee shareholders of Dongguan Tianpei on behalf of PC Partner Holdings. PC Partner Holdings provided the funding of the registered and paid up share capital of Dongguan Tianpei and the Group was entitled to the actual rights and economic benefits as shareholders of Dongguan Tianpei. The principal activity of Dongguan Tianpei is subcontract processing of computer accessories. Involving Mr. Lin and Mr. Yin as nominee shareholders to establish a domestic company does not otherwise require approval from the responsible foreign trade and economic cooperation authorities and was the most expedient method to establish Dongguan Tianpei.

Dongguan Tianpei was established in July 2008 with an initial registered capital of RMB2.5 million, as a limited liability company qualified to have legal person capacity. Mr. Lin became a 70% nominee shareholder of Dongguan Tianpei and Mr. Yin became a 30% nominee shareholder of Dongguan Tianpei.

In April 2010, Dongguan Baineng entered into share transfer agreements with each of Mr. Lin and Mr. Yin, pursuant to which Mr. Lin and Mr. Yin transferred their respective 70% and 30% shareholding in Dongguan Tianpei to Dongguan Baineng, upon completion of which Dongguan Tianpei became a wholly owned subsidiary of Dongguan Baineng. Please refer to the section headed "History and Development — Reorganisation" in this prospectus for further information.

PC Partner Shenzhen Representative Office

In June 2005, PC Partner Limited established a representative office in Shenzhen, to conduct liaison activities on behalf of the Group. During the Track Record Period and as at the Latest Practicable Date, the said representative office did not carry out any business operations.

PC Partner Beijing Representative Office

In July 2008, PC Partner Limited established a representative office in Beijing, to conduct liaison activities on behalf of the Group. During the Track Record Period and as at the Latest Practicable Date, the said representative office did not carry out any business operations.

Manli Group Shenzhen Representative Office

In February 2011, Manli Group established a representative office in Shenzhen to conduct liaison activities on behalf of the Group. During the Track Record Period and as at the Latest Practicable Date, the said representative office did not carry out any business operations.

THE GROUP'S BUSINESS MILESTONES

The following table sets out various milestones in the development of the Group's business:

Year	Event
1997	PC Partner Holdings Limited was founded in Hong Kong primarily engaged in the manufacturing of PC motherboards and computer barebone systems.
1998	The Group was awarded ISO 9001 accreditation.
	The Group was engaged by ATI (now AMD) as contract manufacturer.
	The Group became an EMS provider for a POS system supplier.
	Mrs. Ho Wong Mary Mee-Tak become controlling shareholder of PC Partner Holdings.
2001	The Group was awarded ISO 9001:2000.

Year	Event
2002	The Group became an EMS provider for a flash memory card supplier. The Group was awarded ISO 14001 accreditation.
2005	The Group was awarded OHSAS 18001 accreditation. The Group's COB line commenced operation. The RoHS process was in place.
2006	The Group started the manufacturing of video graphics cards that used NVIDIA GPUs.
2007	The Group started distributing its ZOTAC branded video graphics cards. Implemented 9-7-7 EMI pre scan chamber set.
2008	The Company, through two then 60% owned subsidiaries (ASK Group and Manli Group) acquired the businesses of ASK Technology Limited and Manli Technology Company Limited, respectively (being, principally, the manufacture and sale of video graphics cards for PCs). The Group was awarded AS 9100 accreditation.
2009	The Group commenced sales of MAG under the ZOTAC brand.
2011	The Group completed the acquisition of the remaining 40% shareholding of each of ASK Group and Manli Group, and they have since become wholly-owned subsidiaries of the Company.

REORGANISATION

In preparation for the Listing, the Group has carried out the Reorganisation which involved the following steps:

(a) On 1 April 2010, the Company was incorporated under the laws of Cayman Islands with an authorised share capital of HK$100,000,000 consisting of 1,000,000,000 ordinary shares of par value HK$0.10 each. On the same day, one subscriber's Share was transferred to Mr. Leung Wah Kan, and each of Mr. Wong Fong Pak and Mr. Wong Shik Ho Tony were allotted with one Share.

(b) By a unanimous written resolution of the shareholders of TDEK dated 8 April 2010 and a written resolution of the directors of PC Partner Holdings dated 15 April 2010, the 900,000 shares of PC Partner Holdings held by TDEK were resolved to be distributed to the 3 individual shareholders of TDEK, pursuant to which 580,000, 290,000 and 30,000 shares in PC Partner Holdings were distributed to Mr. Wong Shik Ho Tony, Mr. Daniel Kearney and Mr. Lee Ming Wai David respectively and TDEK ceased to hold any shares in PC Partner Holdings after the aforesaid distribution. TDEK was incorporated in Bermuda on 4 August 1997. On 30 July 1997, The Bermuda Monetary Authority granted permission to TDEK to issue 6,960 shares, 3,480 shares, 1,200 shares and 360 shares with a par value of US$1.00 each to Mr. Wong Shik Ho Tony, Mr. Daniel Kearney, Mr. Edmond Lau and Mr. Kam Kwong, respectively at the consideration of US$1 per share. TDEK became PC

Partner Holdings' shareholder in 1997 following the transfer by Mr. Wong Shik Ho Tony of 400,000 and 600,000 shares in PC Partner Holdings to TDEK on 30 July 1997 and 9 September 1997, respectively. In 2003, TDEK transferred 50,000 shares in PC Partner Holdings to each of Mr. Wong Shik Ho Tony and Sceptre Limited. As a result of the transfers, TDEK became a holder of 900,000 shares in PC Partner Holdings, representing approximately 22.67% of the then issued share capital of PC Partner Holdings.

(c) On 20 April 2010, Mr. Yin and Dongguan Baineng entered into an equity interest transfer agreement pursuant to which Mr. Yin transferred 30% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB750,000. The consideration was based on the value of the registered capital of Dongguan Tianpei held in the name of Mr. Yin. So far as the Directors are aware, Mr. Yin was a Dongguan native, an employee of 東莞市厚街三屯經濟發展公司 and an Independent Third Party.

(d) On 20 April 2010, Mr. Lin and Dongguan Baineng entered into an equity interest transfer agreement pursuant to which Mr. Lin transferred 70% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB1,750,000. The consideration was based on the value of the registered capital of Dongguan Tianpei held in the name of Mr. Lin. So far as the Directors are aware, Mr. Lin was a Dongguan native, an employee of 東莞市厚街三屯經濟發展公司 and an Independent Third Party.

(e) On 11 January 2011, PC Partner International and Mr. Sean Tang entered into a stock purchase agreement pursuant to which Mr. Sean Tang sold 30,000 shares in Zotac Nevada (representing his 40% interest in Zotac Nevada) to PC Partner International at the nominal consideration of US$1.00, as Zotac Nevada and NALA Sales together, being the Group's US business, carried negative retained earnings when the consideration was determined. Mr. Sean Tang was a director of Zotac Nevada until his resignation on 11 January 2011.

When Zotac Nevada and NALA Sales were incorporated in 2007 in the State of Nevada and the State of California of the US, respectively, both companies were owned as to 60% by PC Partner International and 40% by Mr. Sean Tang. NALA Sales provided sales, promotion and distribution services to Zotac Nevada. Zotac Nevada purchased products from PC Partner for onward sale to customers arranged by NALA Sales. As Zotac Nevada only paid PC Partner for the Zotac products when the products are sold, the Group was effectively financing the inventory of Zotac Nevada, then a non-wholly owned subsidiary of the Group, during the invoicing term prior to 11 January 2011. In order to prevent the situation where the Group effectively finances a non-wholly owned subsidiary, the Group acquired the 40% minority equity interest owned by Mr. Sean Tang in Zotac Nevada.

(f) On 11 January 2011, PC Partner International and Mr. Sean Tang entered into a stock purchase agreement pursuant to which PC Partner International sold 45,000 shares in NALA Sales (representing its 60% interest in NALA Sales) to Mr. Sean Tang at the nominal consideration of US$1.00 as NALA Sales and Zotac Nevada together, being the Group's US business, carried negative retained earnings when the consideration was determined.

The Group disposed of its 60% interest in NALA Sales in order to align its trading model in the NALA region with the EMAEI region. In the EMAEI region, Zotac Macao acts as principal in transactions with customers and utilised agents, who are third-parties, to provide sales promotion and distribution services. After the disposal of NALA Sales, Zotac Nevada engaged NALA Sales, which has become a third-party, to provide the same.

(g) On 14 December 2011, Mr. Ho, ASK Group, PC Partner and PC Partner Holdings entered into a sale and purchase agreement, pursuant to which Mr. Ho Nai Nap sold 4,000 shares in ASK Group (representing his 40% interest in ASK Group) to PC Partner at the consideration of HK$87,831,960, being an agreed multiple of the average annual profit of ASK Group and ASK Technology for the 3 years ended 31 December 2009, which was satisfied by PC Partner Holdings, the holding company of PC Partner, allotting and issuing 257,865 new shares in PC Partner Holdings to Mr. Ho.

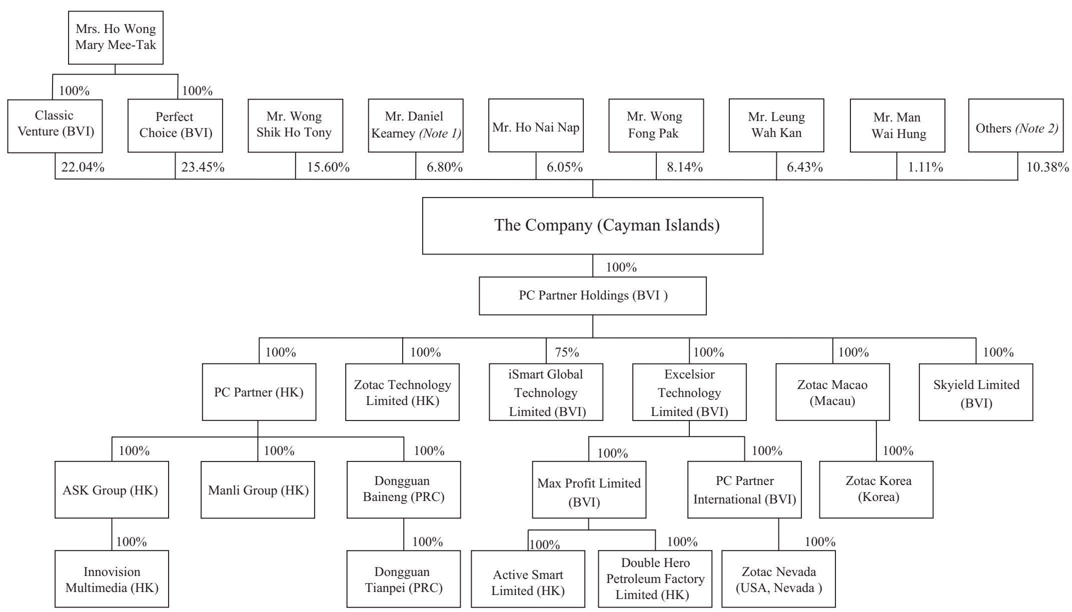
(h) On 14 December 2011, Mr. Lee, Mr. Man, Manli Group, PC Partner and PC Partner Holdings entered into a sale and purchase agreement pursuant to which Mr. Lee and Mr. Man each sold 2,000 shares in Manli Group (representing their respective 20% interest in Manli Group) to PC Partner at the aggregate consideration of HK$32,321,148, being an agreed multiple of the average annual profit of Manli Group and Manli Technology for the 3 years ended 31 December 2009, which was satisfied by PC Partner Holdings, the holding company of PC Partner, allotting and issuing 47,446 new shares in PC Partner Holdings to each of Mr. Lee and Mr. Man respectively.

(i) On 21 December 2011, the Company entered into a deed for sale and purchase with, inter alia, the PC Partner Holdings Shareholders pursuant to which the Company acquired from the PC Partner Holdings Shareholders in aggregate 4,264,757 shares in PC Partner Holdings (representing in aggregate the entire issued share capital of PC Partner Holdings) and in consideration thereof, the Company allotted and issued in aggregate 330,518,665 Shares to the PC Partner Holdings Shareholders credited as fully paid in such proportion as shall mirror their then shareholding proportion in PC Partner Holdings such that the shareholding structure of PC Partner Holdings is replicated at the Company level.

Particulars of the Reorganisation are set out in the section headed "1. Further information about the Company and its subsidiaries — 1.4 Corporate Reorganisation" in Appendix V to this prospectus.

THE GROUP'S CORPORATE STRUCTURE

The following chart sets out the corporate and shareholding structure of the Group as at the Latest Practicable Date:



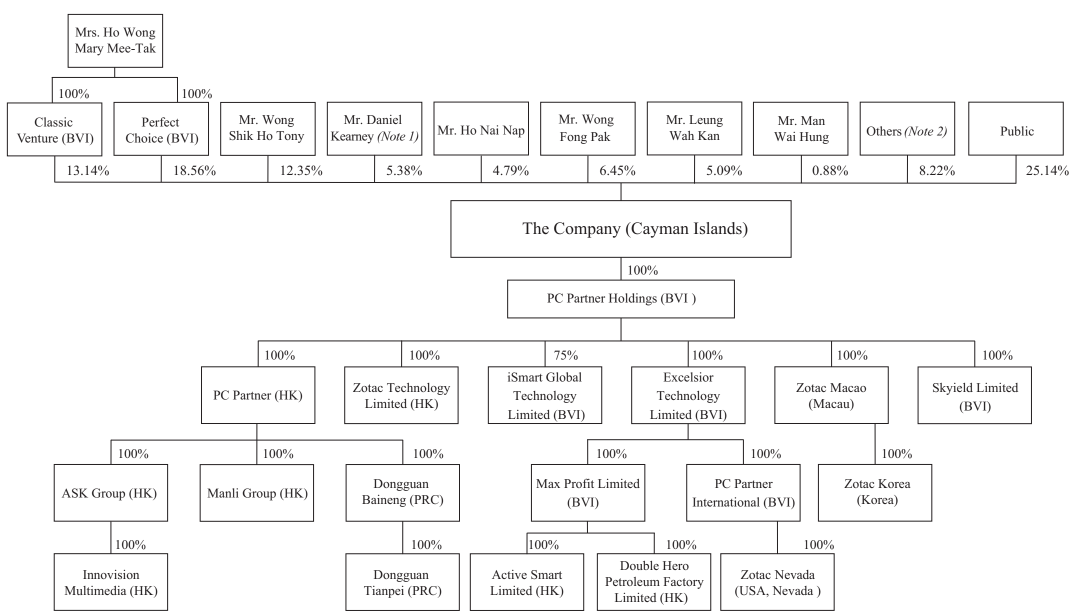
Notes:

1. Mr. Daniel Kearney is an Independent Third Party
2. Other Shareholders include:

Name	No of Shares	Approximate shareholding percentage in the Company
Chiu Kan Ho	11,330,500	3.43%
K.U. INTERNATIONAL LIMITED	6,277,500	1.90%
Kingdom Right Limited	4,650,000	1.41%
Lee Wing Chung	3,677,065	1.11%
Lee Ming Wai David	2,325,000	0.70%
Lai Shui Wah	1,705,000	0.52%
Tsang Chiu Po	1,550,000	0.47%
Tsang Wan Wai	775,000	0.23%
Fong Wing Fai	387,500	0.12%
Gong Jian Hua	387,500	0.12%
Hong Wen Zheng	232,500	0.07%
Chow Hon Fat	155,000	0.05%
Chow Pak Keung	155,000	0.05%
Lau Chee Keung	155,000	0.05%
Lee Po Yuk Juanne	155,000	0.05%
Zhang Ji Ming	155,000	0.05%
Lee Siu Wai	77,500	0.02%
Liao Yang Lin	77,500	0.02%
Liu Yao Ming	77,500	0.02%

With the exception of Lee Wing Chung, a director of Manli Group, the above persons are all Independent Third Parties. The beneficial shareholder of K.U. INTERNATIONAL LIMITED is Lam Lai Mui, a private investor independent from the Company and the Controlling Shareholders. The beneficial shareholder of Kingdom Right Limited is Ho Mook Lam, who is assigned by a consultancy company engaged by the Company to provide, inter alia, certain financial consultation services to the Group, and is not connected to the Company or the Controlling Shareholders within the meaning of the Listing Rules. Prior to completion of the Reorganisation, Classic Venture gifted approximately 1.41% of the issued share capital of PC Partner Holdings to Kingdom Right Limited at the nominal consideration of HK$1. Such shares in PC Partner Holdings were subsequently exchanged for Shares pursuant to the Reorganisation. Other than Chiu Kan Ho, Hong Wen Zheng (a former employee of the Group), K.U. INTERNATIONAL LIMITED, Kingdom Right Limited and Lee Ming Wai David, the rest are employees of the Group. So far as the Directors are aware, each such person is the beneficial owner of the number of Shares set against his/her/its name in the table above.

The following chart sets out the corporate and shareholding structure of the Group immediately following completion of the Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to the exercise of share options granted under the Pre-IPO Share Option Scheme):



Notes:

1. Mr. Daniel Kearney is an Independent Third Party

2. Other Shareholders include:

Name	No of Shares	Approximate shareholding percentage in the Company
Chiu Kan Ho	11,330,500	2.71%
K.U. INTERNATIONAL LIMITED	6,277,500	1.50%
Kingdom Right Limited	4,650,000	1.11%
Lee Wing Chung	3,677,065	0.88%
Lee Ming Wai David	2,325,000	0.56%
Lai Shui Wah	1,705,000	0.41%
Tsang Chiu Po	1,550,000	0.37%
Tsang Wan Wai	775,000	0.19%
Fong Wing Fai	387,500	0.09%
Gong Jian Hua	387,500	0.09%
Hong Wen Zheng	232,500	0.06%
Chow Hon Fat	155,000	0.04%
Chow Pak Keung	155,000	0.04%
Lau Chee Keung	155,000	0.04%
Lee Po Yuk Juanne	155,000	0.04%
Zhang Ji Ming	155,000	0.04%
Lee Siu Wai	77,500	0.02%
Liao Yang Lin	77,500	0.02%
Liu Yao Ming	77,500	0.02%

With the exception of Lee Wing Chung, a director of Manli Group, the above persons are all Independent Third Parties and are accordingly considered as public Shareholders. The beneficial shareholder of K.U. INTERNATIONAL LIMITED is Lam Lai Mui, a private investor independent from the Company and the Controlling Shareholders. The beneficial shareholder of Kingdom Right Limited is Ho Mook Lam, who is assigned by a consultancy company engaged by the Company to provide, inter alia, certain financial consultation services to the Group, and is not connected to the Company or the Controlling Shareholders within the meaning of the Listing Rules. Prior to completion of the Reorganisation, Classic Venture gifted approximately 1.41% of the issued share capital of PC Partner Holdings to Kingdom Right Limited at the nominal consideration of HK$1. Such shares in PC Partner Holdings were subsequently exchanged for Shares pursuant to the Reorganisation. Other than Chiu Kan Ho, Hong Wen Zheng (a former employee of the Group), K.U. INTERNATIONAL LIMITED, Kingdom Right Limited and Lee Ming Wai David, the rest are employees of the Group. So far as the Directors are aware, each such person is the beneficial owner of the number of Shares set against his/her/its name in the table above.

OVERVIEW

The Group was founded in 1997 and has become a manufacturer of video graphics cards for PCs. Video graphics cards were the Group's core product and revenue driver for the three years ended 31 December 2010 and in the six months ended 30 June 2011. The Group is principally engaged in the design, development and manufacture of video graphics cards. The Group also provides EMS and manufactures other PC related products.

According to Synovate, an independent market research and consulting company, the global video graphics card market, being the core revenue driver of the Group during the Track Record Period, recorded a total shipment output value at approximately US$6.55 billion in 2010. The Group is one of the video graphics cards manufacturers with a global market share of approximately 8.5% in terms of revenue and approximately 17.0% in terms of output quantity in 2010. The Group is selected by AMD and Sapphire as one of the manufacturers of their video graphics cards. During the Track Record Period, AMD and Sapphire were among the top 5 customers of the Group.

The Group manufactures video graphics cards for AMD on OEM basis, for Sapphire on both OEM and ODM bases, and for other computer products manufacturers (including Hon Hai Precision) on ODM basis. The Group is also reliant on the performance of its SMT manufacturing subcontractors on quality, lead time and delivery of the work-in-progress after the SMT processes because the Group has no direct control of the SMT manufacturing processes of these subcontractors. In addition, the Group also manufactures and/or sells video graphics cards under its own ZOTAC, Inno3D and Manli brands.

The Group's EMS division manufactures other electronic components and products such as the computer base units of POS and ATM systems, flash memory modules and Internet Media Tablets for its customers.

The Group manufactures and sells other PC related products such as mini-PCs and motherboards under its own ZOTAC and/or Manli brands as well as deriving revenue from the trading of other PC related products and components.

The Group introduced its own ZOTAC branded line of products in EMEAI, APAC, China and NALA in 2007. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the revenues from ZOTAC products were approximately HK$725 million, HK$1,068 million, HK$1,470 million and HK$854 million, respectively.

The Group operates two factories with 42 SMT lines, one COB line and 24 assembly and testing lines occupying a total gross floor area of approximately 150,000 sq.m., with extensive testing and quality assurance facilities and employing 5,339 staff in Dongguan, the PRC. The Group prides on its engineering expertise and accumulated know-how over the years in video graphics cards innovation. As at 31 October 2011, the Group's research and development team consisted of 125 engineers located in Hong Kong, Shenzhen, Dongguan and Taiwan.

The Directors believe that manufacturing quality products for its customers is one of the key success factors of the Group. The Group has established quality control and environmental protection systems and is accredited with ISO 9001, ISO 14001, OHSMS 18000 and QC 080000 certifications.

The Group is committed to be a player in offering innovative and reliable technology products, focusing on video graphics cards and the provision of EMS. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's revenue was approximately HK$4,389 million, HK$4,709 million, HK$5,585 million and HK$2,906 million, respectively. The net profit for the same periods was approximately HK$54 million, HK$100 million, HK$117 million and HK$36 million, respectively.

The following table sets forth the revenue in each of the Group's product segment as a percentage of the total revenue for the period indicated.

	Year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010 (unaudited)		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Video graphics cards	3,598,181	82%	3,920,091	83%	4,339,639	78%	2,039,958	82%	1,920,332	66%
EMS	622,012	14%	430,623	9%	753,944	13%	238,927	10%	677,627	23%
Other PC related products and components	169,123	4%	358,488	8%	491,799	9%	204,804	8%	307,825	11%
Total revenue	**4,389,316**	**100%**	**4,709,202**	**100%**	**5,585,382**	**100%**	**2,483,689**	**100%**	**2,905,784**	**100%**

Based on the unaudited accounts for the three months ended 30 September 2011, and the audited accounts for the six months ended 30 June 2011 the total sales revenue recorded by the Group increased by approximately 14% when compared with the Group's audited total sales revenue for the nine months ended 30 September 2010. There is no adverse change in the sales revenue trend in the three months ended 30 September 2011.

COMPETITIVE STRENGTHS

Strong development and design capabilities

The Directors believe that the success of the Group's business is attributable to the high quality products manufactured by the Group, which are testimonial to the product design, product development and engineering skills possessed by the Group's research and development team. The Group's research and development efforts focus on optimising circuitry layout and choice of components to reduce the time-to-market and costs, while maximising manufacturing efficiency and the performance of the Group's products. As at 31 October 2011, the Group operated a research and development team that consisted of 125 engineers and 56 of them were university graduates. The Group's engineers are stationed in Hong Kong, Shenzhen, Dongguan and Taiwan.

Capable management team

The Group's management team, which has successfully developed the business since 1997, has significant industry experience and strong client relationships. Certain members of the Group's senior management have had over two decades of experience within their corresponding fields in the electronics manufacturing industry. The accumulated knowledge of the management and the know-how of the engineers enable the Group to efficiently deliver reliable products and at the same time meeting the time-to-market requirements.

Development and delivery of quality products

The Directors believe that the Group's product quality is the key to the sustained success of the Group. The management has established a quality control system based on ISO 9001, ISO 14001, OHSMS 18000 and QC 080000, which are the widely recognized standards for quality management, environmental protection management, occupational health and safety management and hazardous substance process management, respectively. The Group received ISO 9001:2000, ISO 14001:2004, OHSAS 18001:2007, QC 080000:2005 and ISO 9001:2008 certifications in August 2007, April 2008, June 2008, September 2008 and July 2010, respectively, for the Group's production facility in Dongguan, the PRC. The Group has also received awards from customers for, inter alia, successfully establishing an environmental management system, meeting the requirements of the customer's award programme.

The Group has established procedures in determining the necessary stages for its product design and development process, followed by reviews, verifications and validations that are appropriate to each design and development stage. The Group conducts various tests, such as real time design rules checking, signal integrity measurement, S&H compatibility test, system integration test, dynamic and static burn-in test, environmental stress test, accelerated life test and packaging test, on the products designed by the Group. By conducting these tests, the Group aims to deliver products with the highest quality and reliability to its customers.

The Group has implemented a set of hazardous substance control standards in compliance with WEEE and RoHS for the manufacturing process. For instance, externally, in the procurement of raw materials, the Group has set up and implemented a green supplier quality management system requiring that the raw material suppliers comply with the Group's requirements for green products. Internally, the Group has established the hazardous substance process management system and received the QC 080000:2005 certification in 2008 conforming to certain customers' requirements to ensure products do not contain prohibited substances.

Flexible manufacturing facilities

As at the Latest Practicable Date, the Group had 42 SMT production lines installed with advanced machinery and equipment, such as fully automatic solder paste printing machines, high-speed surface mounting machines and hot air reflow ovens. The Group has also installed advanced testing machines, such as the automatic optical inspection machines and X-ray machines. To compliment the manufacturing hardware, the Group has accumulated over a decade of testing and assembly know-how. By virtue of the manufacturing facilities being an in-house resource, the Group has full control not only over production planning, which ensures scheduling to meet the time-to-market requirements, but also over production processes, which enables the optimisation of product quality, efficiency and costs. The Group also has the capacity to outsource production to other factories during peak months while retaining testing and quality assurance in-house.

Relationships with the two dominating suppliers of discrete GPUs in the world

AMD and NVIDIA are the two key technology providers of discrete GPUs to the manufacturers of add-in video graphics cards worldwide according to the Synovate Report. In the first six months of 2011 their shares of the discrete GPU market are 40.5% and 59.1%, respectively according to Synovate. Both of them are the Group's strategic technology suppliers.

Advanced Micro Devices, Inc. (AMD)

The Group has been one of ATI's, and successively AMD's, Manufactured-by-AMD ("MBA") video graphics card contract manufacturer since 1998. By virtue of the aforesaid, the Group has benefited from working with the latest AMD GPUs, thus positioning the Group advantageously in manufacturing new variant of video graphics products utilising the latest GPUs for its customers.

NVIDIA Corporation (NVIDIA)

The Group through its wholly owned subsidiaries has achieved and maintained the NVIDIA Authorised Add-in Card Partner status since 2006, through which the Group is eligible for the rebate programmes and special discounts that NVIDIA offers from time to time. Qualification as NVIDIA Add-in Card Partner is at the discretion of NVIDIA management. There is no contractual fulfilling condition for the Group to maintain the NVIDIA Add-in Card Partner status. The said status can also be achieved by other manufacturers.

The Group took further step to cooperate with NVIDIA, one of the world's largest discrete GPU suppliers, by commencing its NVIDIA based video graphics cards OEM/ODM manufacturing and, subsequently, the Group's ZOTAC brand business in 2007.

In 2008, by acquiring ASK Group and Manli Group, the Group further strengthened its market position in brand channel business. NVIDIA is the largest supplier of the Group, and purchases from NVIDIA accounted for approximately 27%, 36%, 33% and 28% of the Group's total purchases for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively.

The Group's own branded products, ZOTAC branded video graphics cards, which target the mid to high end markets, are backed by the Group's strong manufacturing facilities. Furthermore, the Group's wholly owned subsidiary, Zotac Macao, was established in 2006 for channel distribution in the EMEAI region, which started in 2007.

BUSINESS STRATEGIES

The Group's mission is to offer innovative and reliable technology products, focusing on video graphics cards and the provision of EMS. This is demonstrated by its reputation in the video graphics cards market.

Expand manufacturing capacities

The Group prides on the quality and reliability of its products. The Group is equipped with in-house with an advanced and flexible manufacturing system together with extensive quality assurance and testing facilities, SMT manufacturing and COB manufacturing facilities in Dongguan, the PRC. The Group intends to enhance its manufacturing capabilities by expanding the Group's production capacity and efficiency through acquiring machineries, equipment and relevant technology, and leasing production premises.

Strengthen engineering, development and design capabilities

Equipped with experience in electronics engineering and manufacturing, the Group is able to add value to its customers' businesses by providing not only development support utilising the Group's engineering expertise, but also flexibility on the manufacturing requirements. The Group intends to further strengthen its development, engineering and research and development teams and acquire equipment and technology in the relevant fields to develop products that can leverage on the Group's strength in exploiting GPU technology.

Develop the Group's branded products

The Group believes that its Zotac, Inno3D and Manli brands are important to the future development and expansion of its business. The Group's strategy is to leverage on its accumulated know-how and reputation in manufacturing of discrete video graphics cards and other PC related products to continue to build and promote its brands and develop new products and reach out to more countries.

PRODUCTS

The Group is an electronics manufacturer engaged in the design, development and manufacturing of video graphics cards for PCs. The Group also manufactures products such as the computer base unit of POS and ATM systems, flash memory modules, Internet Media Tablet and other electronics products, and other PC-related products. The Group's products are categorised into three principal segments: video graphics cards, EMS and other PC-related products and components.

Product segment	Revenue/HK$million Year ended 31 December 2008	2009	2010	Revenue/HK$million For the six months ended 30 June 2010	2011
Video graphics cards					
— OEM/ODM contract manufacturing	2,507	2,454	2,653	1,306	1,044
— Group's own branded products	1,091	1,466	1,686	734	876
	3,598	3,920	4,339	2,040	1,920
EMS	622	431	754	239	678
Other PC-related products and components	169	358	492	205	308
	4,389	4,709	5,585	2,484	2,906

1. Video graphics cards segment

The video graphics cards manufactured by the Group are PC components that process graphics display data and interface between a PC and its video display. The Group's engineering skills, design experience and know-how enable the Group to become one of the world's leading manufacturers of video graphics cards for PCs. The Group utilises its SMT production lines to assemble the components of the video graphics cards such as ASIC (including GPUs), RAM, PCBs, heatsinks (including fansinks) and other electronic and mechanical components, followed by other testing and inspection processes. The Group also has the capability to produce video graphics cards, which support over-clocking features. Sales of video graphics cards accounted for approximately 82%, 83%, 78% and 66% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The Group does not envisage there to be any new product or technology that will completely replace discrete video graphics cards in the near future. As set out in the section headed "Industry overview — Industry characteristics — Global add-in video graphics cards market" in this prospectus, it is expected that the market value of add-in video graphics cards worldwide in the performance and enthusiast market segments will increase from 2010 to 2014. In the video graphics cards manufacturing business, GPU manufacturers such as AMD and NVIDIA will release the design of new reference video graphics cards to accompany the launch of new GPUs. Such new designs serve to demonstrate specific features of the new GPUs and how to implement the new GPUs into new video graphics cards.

The Group is one of the manufacturers for AMD for such reference video graphics cards, i.e. the MBA video graphics cards. The Group also manufactures video graphics cards for Sapphire based on AMD GPUs.

The Group's ZOTAC video graphics cards use GPUs supplied by NVIDIA. For the purpose of developing a ZOTAC video graphics card, the Group will obtain a kit from NVIDIA typically containing (1) datasheet of the GPU, (2) thermal design guide, (3) video graphics card design guide, (4) application notes or engineer change notes (where applicable), (5) bill of materials, (6) PCB layout design, (7) schematic, (8) design source file (job file), (9) mechanical parts drawing (e.g. brackets and fansinks) and (10) video graphics card specifications or qualification report in respect of the relevant GPU.

The research and development team of the Group will analyse the materials in the kit to determine the functional capabilities of such GPU and scopes for optimization. The product marketing and the research and development teams will determine the product specifications according to market driven costs of materials and functions required for different models of video graphics cards.

Based on such findings, the research and development team will develop the ZOTAC video graphics cards by adding value to the reference design through modifying or re-designing such reference cards with, inter alia, re-engineered circuitries, printed circuit boards layouts, choice of components and thermal dissipation performance.

The research and development team may stretch the capabilities (for instance, over clocking) of certain new high-specification GPUs to produce top-of-the-line ZOTAC models of video graphics cards.

AMD GPUs and NVIDIA GPUs are based on different technologies. Circuitry designed for an AMD GPU based video graphics card will not accept an NVIDIA GPU in lieu or vice versa. On the other hand, video graphics cards as finished goods are usually used in desktop PCs with compatible interface bus slots and the appropriate software. The product life cycle of video graphics cards based on AMD or NVIDIA GPUs are usually around six to twelve months and depend on whether the GPU manufacturers introduce new GPUs to the market. New video graphics cards installed with new GPUs may impact on the demand on existing video graphics card models, which do not have the newest GPUs.

AMD branded MBA video graphics cards are geared for the specialist reference video graphics card market. Sapphire sells its Sapphire brand video graphics cards assembled by the Group are geared as retail products. Other ODM/OEM contract manufacturing customers are PC manufacturers, which use the video graphics cards assembled by the Group as components to assemble PCs. The Group's own brands video graphics cards are destined for the retail market. There is little threat of substitution. Therefore, the production of branded video graphics cards and the production of video graphics cards for PC manufacturers does not cannibalise each other's market. According to the Synovate Report, the shipment quantity of add-in video graphics cards was approximately 73 million units in 2010. Video graphics cards assembled for the Group's own brands and Sapphire represented approximately 8.5% of the market size in the year 2010. The market size is considered large enough for the Group's own brand and Sapphire to co-exist. Sapphire video graphics cards are solely based on AMD technology, whist the Group's own brands video graphics cards are solely based on NVIDIA technology.

(a) ODM/OEM contract manufacturing of video graphics cards

(i) AMD

AMD, a global semiconductor company that designs and sells microprocessors, chipsets and GPUs, was one of the Group's top three customers for the three years ended 31 December 2010. The Group is selected by AMD as one of the manufacturers to manufacture Manufactured-by-AMD ("MBA") video graphics cards utilising GPUs that are newly introduced to the market. The Group has been manufacturing ATI's (subsequently acquired by AMD in 2006) video graphics cards since 1998.

The Group manufactures AMD's MBA video graphics cards on OEM basis according to the product designs and specifications provided by AMD. MBA video graphics cards are released by AMD to accompany the launch of new GPUs. AMD outsourced the manufacturing of such video graphics cards to the Group. MBA video graphics cards provide the reference design, which serve to demonstrate specific features of the new GPUs and a proven implementation of the new GPUs into new video graphics cards in terms circuitry, choice of electrical and mechanical components and operating environmental conditions. MBA video graphics cards are targeted at manufacturers as well as enthusiasts who are early-adopters of new technology. Video graphics cards manufacturers purchase such MBA video graphics cards to use as a reference guide for developing the manufactures' own variants of video graphics cards utilising the new AMD GPUs, which such MBA video graphics cards are designed to demonstrate. By varying the choice and quantity of components, such as RAM or PCB, manufacturers may create variants with different features and specifications to target at different pricing levels.

In addition, the Group also carries out OEM manufacturing of certain, ongoing production models of video graphics cards for AMD. By the nature of OEM manufacturing, OEM customers provide product design and specification details to the Group and the Group provides manufacturing services according to such details. Generally, confidentiality clauses are included in the terms with OEM customers. In the event of any infringement of the Group's intellectual property rights, the Group will seek legal advice in the relevant jurisdiction and take legal action to protect its rights as appropriate.

AMD provides GPUs to the Group on a consignment basis. AMD retains title over such consigned GPUs. Certain components and materials such as RAM may be provided by AMD on a consignment basis from time to time. The Group always procures fansinks and PCBs on behalf of AMD and such components would be accounted for as purchases of the Group and expensed as cost of sales. The Group would procure any remaining components and materials necessary for the assembly of MBA video graphics cards. Most of the components and materials are sourced from AMD approved vendors, as required. It is not operationally practical and not an industry practice for ODM/OEM contract manufacturing customers to provide the Group with all the components and materials required in the assembly process of video graphics cards.

Apart from being AMD's supplier, the Group also purchases GPUs from AMD for the purpose of manufacturing video graphics cards for customers.

(ii) *Computer products manufacturers*

Due to the Group's strong design and engineering capabilities, the Group supplies video graphics cards, on an ODM basis, to some manufacturers of computer products such as Hon Hai Precision. These computer products manufacturers require high quality video graphics cards manufactured according to their requirements for inclusion into their products.

The sales of video graphics cards for computer products manufacturers on ODM and OEM bases amounted to approximately HK$1,461 million, HK$1,523 million, HK$1,695 million and HK$689 million during the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively.

Other ODM/OEM contract manufacturing customers, such as Hon Hai Precision, which engage the Group to assemble video graphics cards, usually require the Group to procure all of the components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group procured all the components and materials (such practice is known as "turnkey") out of approximately 42%, 38%, 36%, and 34% of the video graphics cards assembled by the Group, respectively.

(iii) Sapphire

Sapphire, a provider of video graphics cards for PCs, was one of the Group's top two customers for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011. As at the Latest Practicable Date, all Sapphire branded video graphics cards manufactured by the Group used AMD discrete GPUs. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, sales to Sapphire amounted to approximately HK$550 million, HK$499 million, HK$495 million and HK$232 million, respectively.

Sapphire was incorporated in 2001. It was formed for the purpose of, and has since been principally engaged in, the sale of ATI or AMD (after its acquisition of ATI) technology-based video graphics cards. Sapphire has been an ATI or AMD "add-in-board partner" since 2001 and the Group first supplied Sapphire with such video graphics cards since 2001.

Sapphire always would provide GPUs to the Group on a consignment basis. Sapphire retained title over such consigned GPUs. Sapphire may choose to consign certain other components and materials to the Group and require the Group to procure any remaining components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements varied from time to time. During the Track Record Period, transactions between Sapphire and the Group were at arm's length and under normal commercial terms.

The Group owned 40% interest in Sapphire when it was incorporated in 2001. The remaining 60% interest in Sapphire was owned by other shareholders who are all Independent Third Parties. Other than sales by the Group to Sapphire, there is no past or present relationship, business or otherwise, between Sapphire and the Directors, substantial Shareholders, senior management of the Group and their respective associates. Please refer to the section headed "History and development — The Group's investment in Sapphire" for more information.

During the Track Record Period, Sapphire allotted new shares to its shareholders on two occasions. In line with (i) the Group's businesses of EMS and OEM/ODM manufacturing and (ii) the Group's strategy to further expand its business channels and focus its resources on the sale and distribution of its own branded products, the Group did not pursue to maintain its level of interest in Sapphire on both occasions. Accordingly, on 1 January 2008, the Group's interest in Sapphire was diluted to 18.18%. On 19 August 2010, the Group's interest in Sapphire was further diluted to 4.95%.

The Group has grown substantially in its experience and customer base in contract manufacturing for video graphics cards since 2001 when Sapphire was incorporated. Being a MBA board manufacturer for ATI or AMD (as the case may be) since 1998, the Group has been building its reputation as a renowned video graphics card manufacturer. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, sales to Sapphire amounted to approximately HK$550 million, HK$499 million, HK$495 million and HK$232 million, respectively, representing 13%, 11%, 9% and 8% of the Group's total revenue, respectively. As indicated from the above figures, the Directors believe that the dilution of the Group's interest in Sapphire did not affect its manufacturing relationship with Sapphire. The Group first manufactured video graphics cards for Sapphire in 2001.

However, as set out in the Prospectus in the section headed "Risk factors — Risks relating to the Group — The Group does not have long term purchase commitments from its customers, which may result in fluctuation in the Group's results of operations and may affect its liquidity", the Group does not have any long-term purchase commitments from its customers, including Sapphire, which may result in fluctuation in the Group's results of operations and may affect its liquidity.

As at the Latest Practicable Date, the Group held a 4.95% strategic equity interest in Sapphire.

(b) The Group's Brands

The Group only started to produce its own brands video graphics cards in 2007 as a means to reduce its reliance on the ODM/OEM customers. Unlike the video graphics cards manufactured for AMD and the other ODM/OEM customers, the Group's own brands video graphics cards are destined for the retail market. The Group only used NVIDIA GPUs in its video graphics card products. In general NVIDIA would provide a manufacturers' suggested selling price ("MSRP") to the manufacturers of video graphics cards using NVIDIA GPUs.

(i) ZOTAC

The Group designs, develops, manufactures, sells and markets video graphics cards for PCs under the Group's ZOTAC brand, which targets the mid to high end market. ZOTAC branded video graphics cards have received awards and compliments from various magazines and websites, such as PC Magazine, PCPOP, ZOL and Tom's Hardware. As at the Latest Practicable Date, all ZOTAC branded video graphics cards used NVIDIA discrete GPUs. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the sales of ZOTAC video graphics cards were HK$709 million, HK$903 million, HK$1,213 million and HK$668 million, respectively.

(ii) Manli

The Group designs, develops, manufactures, sells and markets NVIDIA based video graphics cards for PCs under the Manli brand, which target the mass market. For the nine months ended 31 December 2008, the two years ended 2010 and in the six months ended 30 June 2011, sales of video graphics cards under the Manli brand were HK$93 million, HK$155 million, HK$102 million and HK$67 million, respectively.

(iii) Inno3D

The Group designs, develops, sells and markets NVIDIA based video graphics cards for PCs under ASK Group's own brands Inno3D, which target the middle to enthusiast markets. For the nine months ended 31 December 2008, the two years ended 31 December 2010 and in the six months ended 30 June 2011, sales of video graphics cards under ASK's own brands were HK$289 million, HK$407 million, HK$369 million and HK$141 million, respectively.

The ODM/OEM contract manufacturing business commanded a higher gross profit margin after material costs than the Group's own brands video graphics cards business during the Track Record Period. Pricing quotations given to the Group's ODM/OEM customers are on cost-plus basis. Among the Group's major customers, the Group assembles MBA video graphics cards for AMD. MBA video graphics cards are produced to accompany the launch of new GPUs to demonstrate its features and capabilities as well as to serve as reference for video graphics cards manufacture to design new video graphics cards based on the new GPUs. The engineering and quality of MBA video graphics cards tend to be over specified above and beyond norm, which lead to the relatively higher cost on components and materials. In the case of the other ODM/OEM customers, they are mainly PC manufacturers who utilise video graphics cards assembled by the Group as a component for the production of PCs. Such customers have specific quality and testing requirements to meet their specifications, and the Group would add certain charges for the service of satisfying specific requirements. The Group would also add an agreed percentage premium into the selling price to cover potential costs of returns.

As for the slow moving and obsolete inventories of components and materials, which are procured specifically for designated ODM/OEM contract manufacturing customers, the Group would seek reimbursement for the costs of such inventories from such customers. It is industry practice that the ODM/OEM contract manufacturing customer would absorb such costs.

In order to gain market share, the Group has tended to use high quality components and materials and at the same time price its own brands video graphics cards at levels below the MSRP. For own brands video graphics cards, potential costs of returns are not added to the pricing. The Group would absorb inventory obsolescence. As a result, the gross profit margin after materials costs during the Track Record Period of OEM/ODM video graphics cards contract manufacturing business was higher than that of the Group's own brands video graphics cards.

2. Electronics Manufacturing Services (EMS)

As an EMS provider, the Group manufactures electronic components and products for its customers according to such customers' product designs and specifications. The components and products that the Group manufactures include the computer base unit of POS and ATM systems, flash memory modules, Internet Media Tablets and other electronic products. Sales of EMS components and products accounted for approximately 14%, 9%, 13% and 23% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively.

(i) POS and ATM systems

The basic hardware of a POS system includes cash drawers, computer base units, hand-held scanners, POS printers, customer displays and colour displays. The basic hardware of an ATM system includes cash-out modules, computer base units, printers, keyboards, card readers and screens. The Group manufactures only the computer base units of POS and ATM systems. A POS and ATM system provider was one of the Group's top 10 customers for the three years ended 31 December 2010 and in the six months ended 30 June 2011.

(ii) Flash memory module

A flash memory module is a small, removable secondary mass storage device used in portable electronic devices. A flash memory modules provider was one of the Group's top 10 customers for the three years ended 31 December 2010.

(iii) Internet Media Tablet

The Group manufactures Internet Media Tablets for a consumer electronics company.

(iv) Other electronic products

The Group also manufactures other electronic products, such as LED panels, GPS products, and other electronic controllers for its customers.

3. Other PC-related products and components

Apart from the manufacturing of video graphics cards, the Group also designs, develops and manufactures other PC-related products, such as mini-PCs and PC motherboards, under the ZOTAC or Manli brands, or for other parties. Besides, the Group also trades PC-related components. Sales of other PC-related products and components accounted for approximately 4%, 8%, 9% and 11% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively.

(i) Mini-PC

Since 2009, the Group manufactures mini-PCs, known as ZBOX and MAG (Mini All-in-one Giant), under the ZOTAC brand. The Group also manufactures mini-PCs under the Manli brand. Mini-PC is a small PC designed for multi-media high-definition video playback.

(ii) PC motherboard

A motherboard is the main circuit board in a PC that holds many of the crucial components of the computer system, such as the central processing unit (commonly known as the CPU), main memory and Input/Output functions, while providing connectors for other peripherals. The Group manufactures PC motherboards under the ZOTAC and Manli brands, and for other parties.

(iii) Netbook

During the Track Record Period, the Group also produced and sold netbooks, being notebook computers that are light-weight and economical, under the ZOTAC and Manli brands. This line of product is being phased out.

PRODUCTION FACILITIES AND CAPACITY

Production facilities

The Group operates two factories in Dongguan, the PRC, occupying a total gross floor area of approximately 150,000 sq.m. The Group has 42 SMT lines and one COB line in its two factories in Dongguan. The SMT lines consist of modules of machinery and equipment, such as solder paste printing machines, high-speed surface mounting machines and hot air reflow ovens. The Group has also installed advanced testing machines, such as the automatic optical inspection machines and X-ray machines. In 2010, the Group reconfigured the SMT lines and at the same time increased productivity.

Work-in-progress produced by SMT processes, such as video graphics cards, motherboards, ATM systems and POS systems, are required to undergo post-SMT assembly and testing ("A&T") in order to complete the manufacturing process and result in finished goods. The Group had 29, 24, 24 and 24 A&T lines as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. The Group started to re-engineer its A&T lines in late 2008 by reconfiguring and remapping of processes as well as investment in equipment resulting in 24 A&T lines in 2010 with significantly improved productivity. For the re-engineered A&T activities, the Group had invested in and increased the use of automatic jigs and fixtures, and at the same time improved employee training and production planning.

SMT processes are utilised by the Group to manufacture almost all of its products. The modules of machineries and equipment of the SMT and A&T lines can be configured to manufacture video graphics cards, EMS products and other PC related products. The Group's integrity in maintaining confidentiality of customers' propriety technology is demonstrated by setting up SMT and A&T lines in segregated areas within the Dongguan Baineng factory for certain customers.

As at 31 October 2011, the Group employed 5,339 staff in Dongguan, the PRC.

Production capacity and utilisation rates

The Group outsourced certain of its production each year, owing to its capacity constraint. In the six months ended 30 June 2011, the Group has committed SMT capacities from three factories. The Group, apart from all of ASK Group related productions and some of Manli Group related productions, only outsourced the SMT processes in the production of video graphics cards and motherboards during the Track Record Period. The proportion of the Group's (including that of Manli Group and ASK Group) video graphics cards and motherboards manufactured in-house and outsourced are illustrated in the table below. Post-SMT A&T are undertaken in-house to ensure that the Group retains the ultimate control over the quality and tolerance of its products. In respect of the assembly of video graphics cards for AMD and Sapphire, the Group carried out the SMT processes in-house.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	(units of video graphics cards and motherboards in thousand)	(%)	(units of video graphics cards and motherboards in thousand)	(%)	(units of video graphics cards and motherboards in thousand)	(%)	(units of video graphics cards and motherboards in thousand)	(%)	(units of video graphics cards and motherboards in thousand)	(%)
Manufactured in-house	6,736	71.5%	8,055	68.6%	8,812	71.2%	4,455	72.9%	4,870	90.4%
Outsourced	2,689	28.5%	3,684	31.4%	3,566	28.8%	1,653	27.1%	515	9.6%
Total	9,425	100.0%	11,739	100.0%	12,378	100.0%	6,108	100.0%	5,385	100.0%

The SMT outsourcing subcontracting fees incurred by the Group, excluding all of ASK Group related productions and some of Manli Group related productions, amounted to HK$17.8 million, HK$23.3 million, HK$26.7 million and HK$1.1 million, or 47.9%, 36.4%, 45.1% and 9.0% of the total outsourcing subcontracting fees incurred for each of the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Accordingly, the Group outsourced 1.5 million, 2.1 million, 2.5 million and 0.1 million units of video graphics cards and motherboards for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively, excluding all of ASK Group and some of Manli Group related productions.

Since the formation of ASK Group and Manli Group in April 2008, the Group started to gradually integrate the production of Manli Group, while as at 30 June 2011, the production of ASK Group remained completely outsourced. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, Manli Group outsourced 23%, 17%, 10% and 20% in terms of units of its productions, respectively. The quantities outsourced and subcontracting fees incurred by ASK Group and Manli Group for video graphics cards during the Track Record Period are summarised below. ASK Group and Manli Group only outsourced the production of video graphics cards, which were done on a turn-key basis. During the Track Record Period, in addition to video graphics cards and motherboards, other products of Manli Group included mini-PCs and netbooks. The Group produced these products for Manli Group.

	Year ended 31 December						For the six months ended 30 June			
	2008		2009		2010		2010		2011	
	Quantity *(units of video graphics cards and motherboards in thousand)*	**Fee** *(HK$'000)*	**Quantity** *(units of video graphics cards and motherboards in thousand)*	**Fee** *(HK$'000)*	**Quantity** *(units of video graphics cards and motherboards in thousand)*	**Fee** *(HK$'000)*	**Quantity** *(units of video graphics cards and motherboards in thousand)*	**Fee** *(HK$'000)*	**Quantity** *(units of video graphics cards and motherboards in thousand)*	**Fee** *(HK$'000)*
ASK Group	1,034	17,243	1,417	38,908	1,047	31,348	485	12,932	380	11,376
Manli Group	110	2,083	122	1,900	49	1,177	38	1,011	5	110
Total	1,144	19,326	1,539	40,808	1,096	32,525	523	13,943	385	11,486

ASK Technology was a fabrication-less manufacturer of video graphics cards. It outsourced all its manufacturing. The Group intends to further strategically integrate all the production capacity requirements in-house over time and reduce the Group's demand on external SMT subcontractors by expanding its SMT production facilities utilising the proceeds from the Offering. The Group plans to invest approximately HK$40.46 million in 2012, to expand its current SMT production capacity by approximately 17% on a year-on-year basis (i.e. approximately 337,500 more pieces of component per hour) in 2012. The Directors believe that such investment would enable the Group to increase its flexibility to capture the expected sales growth with in-house SMT production capacity, substitute part of the SMT outsourcing requirements, and further integrate the SMT production capacity requirement of the Group's subsidiaries.

The Group maintains certain level of SMT outsourcing as a prudent measure to manage capital investment and asset utilisation. The Group may not be able to engage sufficient outsourced SMT capacity to capture sudden unplanned influx of customer orders, which have short delivery horizons.

SMT processes are involved in the production of almost all of the Group's products such as video graphics cards, motherboards, mini PCs, ATM systems, POS systems, and flash memory modules spanning across the OEM/ODM, EMS and other PC related product segments, of which video graphics cards represented approximately 82%, 83%, 78% and 66% of the Group's revenue for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The utilisation of the Group's in-house SMT production capacity is tabulated below.

	Year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
No. of SMT lines *(Note 1)*	38	41	40	40	40
No. of SMT machine hours available for the year (Hours) *(Note 2)*	268,464	322,163	339,011	166,380	166,380
No. of productive SMT machine hours for the year (Hours) *(Note 3)*	252,856	302,118	321,746	158,228	158,394
Utilisation Rate (%)	94.2%	93.8%	94.9%	95.1%	95.2%

Note 1: Number of SMT lines configured in the respective years.

Note 2: 23.5 hours per day by number of lines by number of work days in the year. The SMT lines could operate up to 2 shifts of 11.75 hours per shift per day, which complies with labour regulations.

Note 3: actual machine hours utilised in production, including setup time, excluding unforeseen maintenance down time.

In the six months ended 30 June 2011, the Group procured two new SMT production lines at a cost of approximately HK$33.7 million. These new SMT production lines went live in September 2011 and are expected to increase SMT production capacity by approximately 16% on a year on year basis (i.e. approximately 268,000 more pieces of components per hour).

A&T processes are required for video graphics cards, motherboards, ATM and POS products. Such work-in-progress from the SMT lines are fed into the A&T lines. The utilisation of the Group's in-house A&T production capacity is tabulated below.

	Year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
No. of A&T lines *(Note 1)*	29	24	24	24	24
Theoretical Capacity of the A&T lines (Units) *(Note 2)*	12,000,000	16,800,000	19,200,000	9,600,000	9,600,000
Actual A&T line output (Units) *(Note 3)*	8,887,994	10,972,536	12,204,351	5,817,506	5,362,307
Utilisation Rate (%)	74.1%	65.3%	63.6%	60.6%	55.9%

Note 1: Number of A&T lines configured in the respective years/periods.

Note 2: Theoretical processing capacity for the A&T lines configured in the respective years/periods. The A&T lines could operate 2 shifts of 10.5 hours per shift per day, which complied with labour regulations.

Note 3: Actual number of units processed in the respective years/periods.

COB processes are utilised in the manufacturing of flash memory module products for one customer. The utilisation of the Group's in-house COB production capacity is tabulated below. Due to the fact that the only flash memory product customer of the Group was gradually placing fewer orders on flash memory products involving the COB processes and more orders on flash memory products involving SMT processes, the output and utilisation rate of the COB line dropped over the three years ended 31 December 2010 and six months ended 30 June 2011. The utilisation of the COB line is reactive to the demand of the said customer. Despite the fall in demand on the COB line, the Group intends to maintain the availability of the COB line.

	Year ended 31 December			For the six months ended 30 June	
	2008	2009	2010	2010	2011
No. of COB line *(Note 1)*	1	1	1	1	1
Theoretical Capacity of the COB line (Units) *(Note 2)*	3,744,000	3,744,000	3,744,000	1,872,000	1,872,000
Actual COB line output (Units) *(Note 3)*	1,016,635	494,397	46,119	43,973	3,455
Utilisation Rate (%)	27.2%	13.2%	1.2%	2.3%	0.2%

Note 1: Number of COB line configured in the respective years/periods.

Note 2: Theoretical processing capacity of the COB line configured in the respective years/periods. The COB line could operate 2 shifts of 10.25 hours per shift per day, which complied with labour regulations.

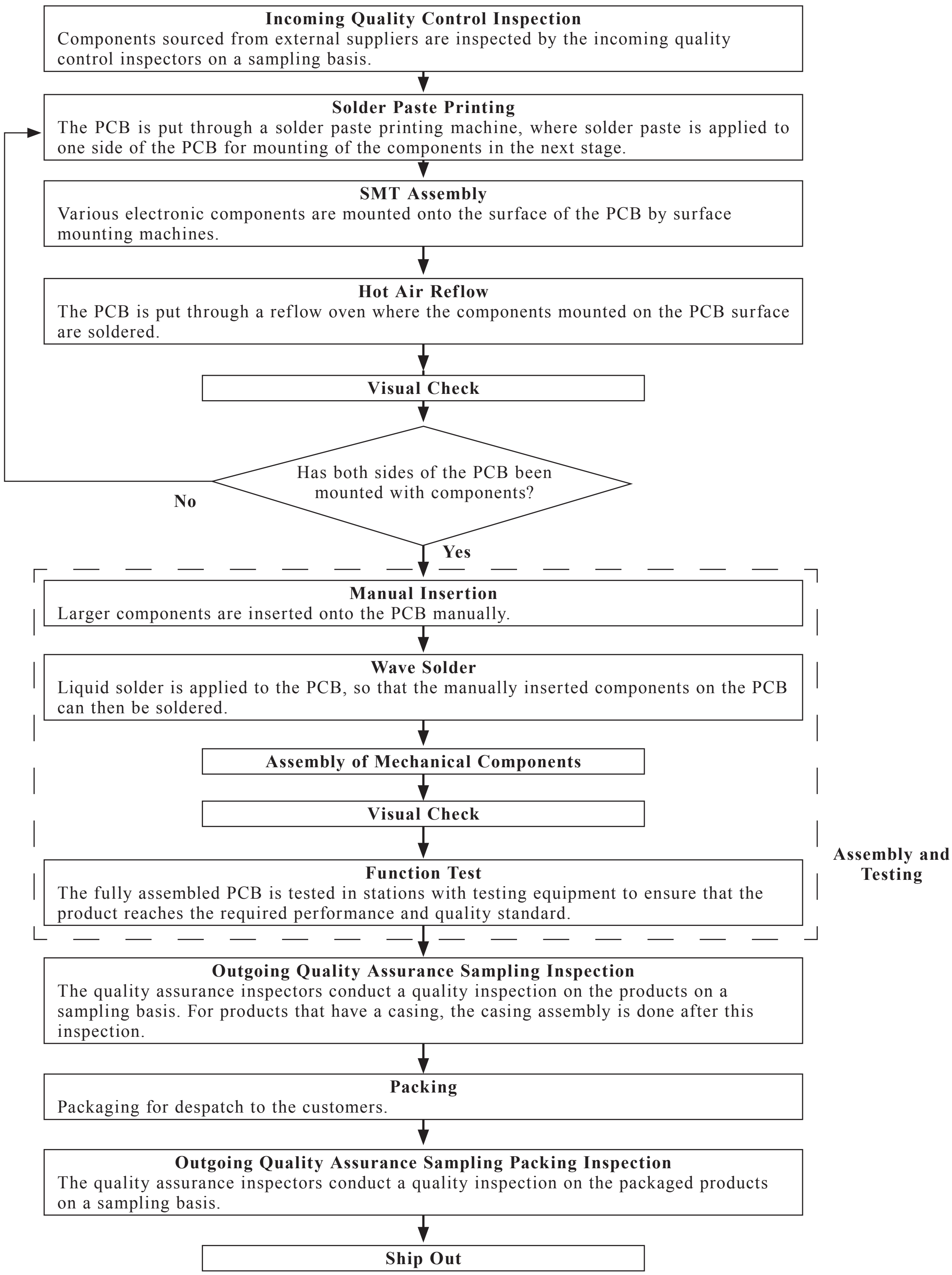
Note 3: Actual number of units processed in the respective years/periods.

PRODUCTION PROCESS

The Group bases its manufacturing operations in Dongguan, the PRC, and runs a quality system that complies with the ISO 9001 standard. Under this system, the manufacturing process is controlled by official work instructions that describe working steps and requirements specific to individual work stations. Quality data are recorded and analysed for process improvements as well as product traceability.

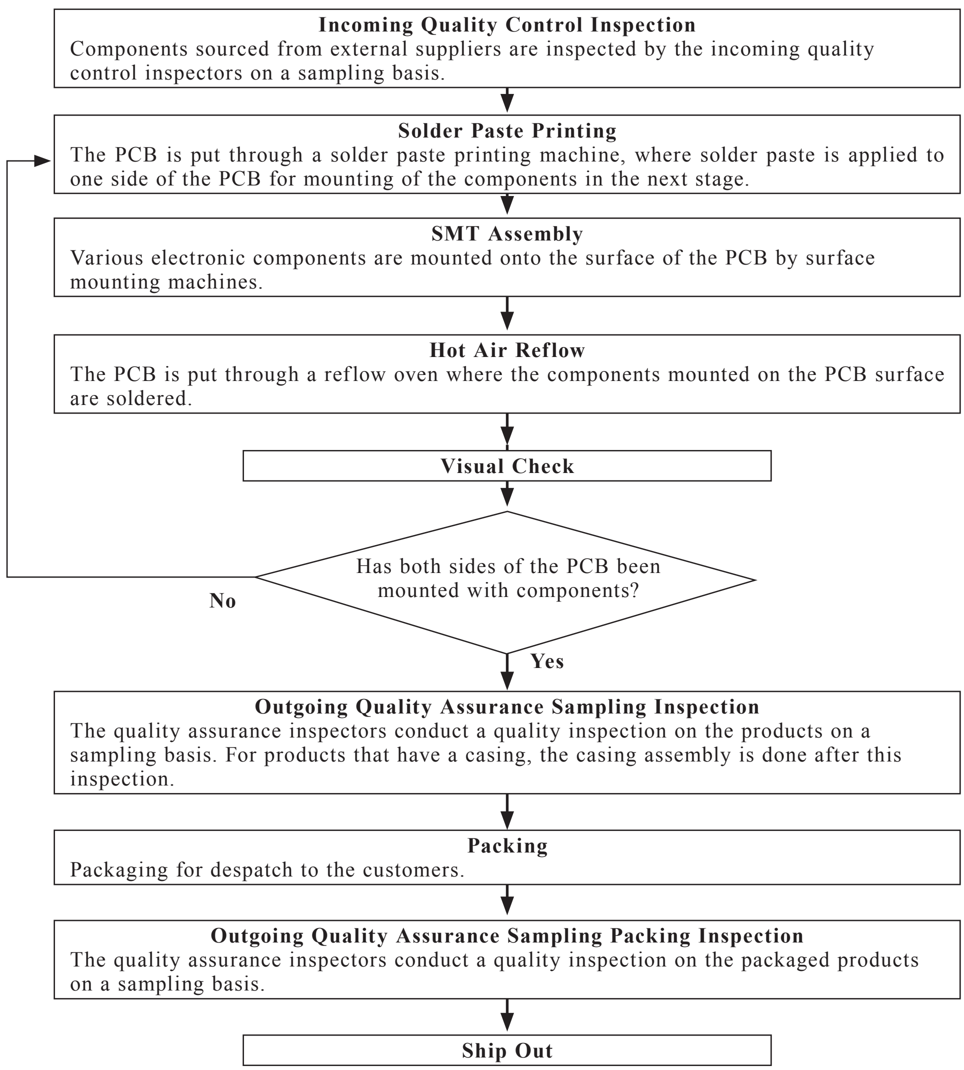
Generally, the manufacturing of the Group's products starts with SMT assembly, followed by optional manual insertion, testing, inspection and packing. In the cases of products such as video graphics cards, motherboards, ATM systems and POS systems, the work-in-progress output from SMT processes are followed up by A&T processes, which involves manual insertion, testing, inspection and packing. Please refer to flow diagram below.

General production flow diagram (such as for video graphics cards)



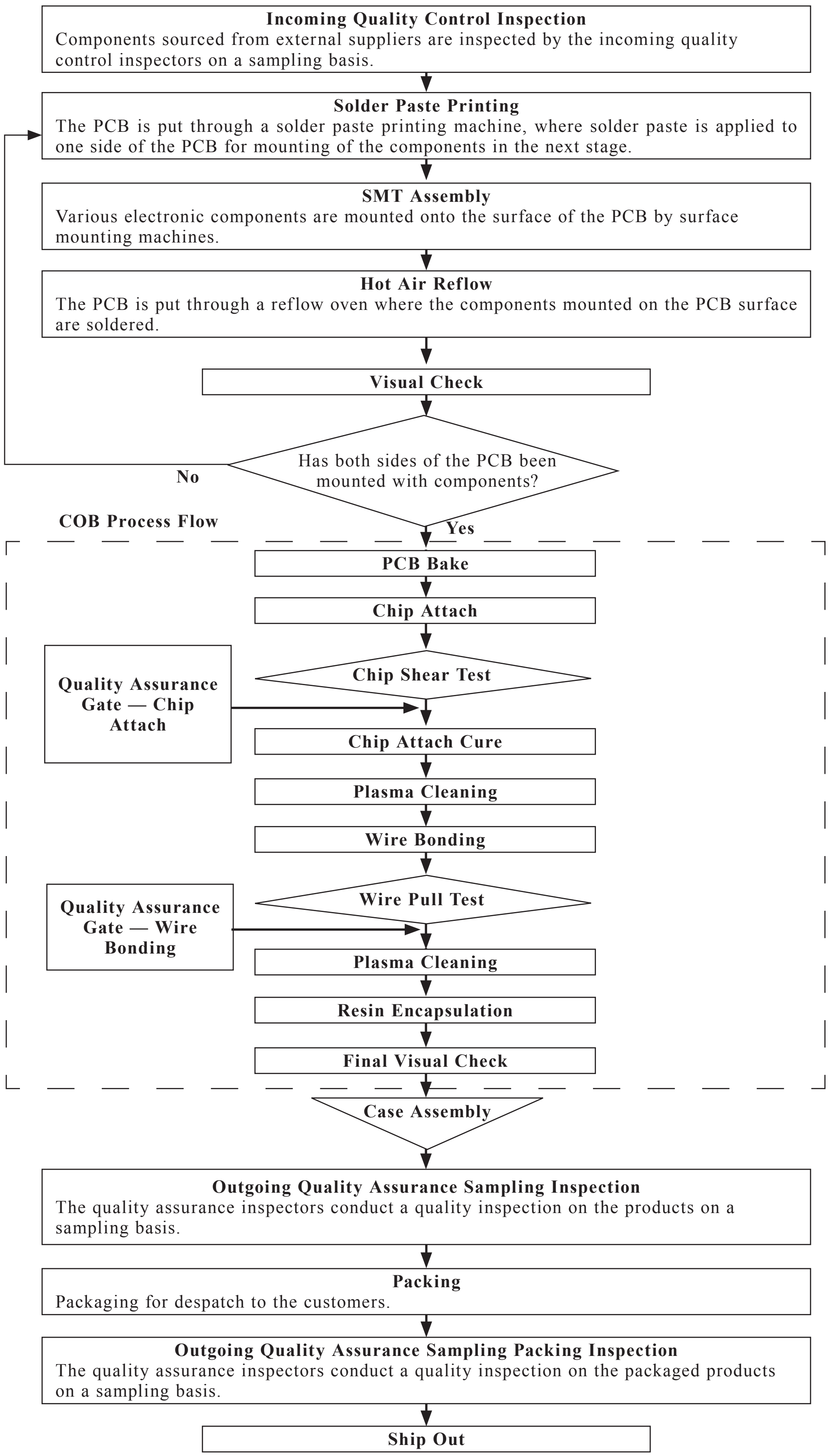
In the case of certain other PC related products and EMS products such as LED video panels, the work-in-progress output from SMT processes are followed by inspection and packing. Please refer to flow diagram below.

EMS and PC related products production flow diagram



In the case of production of flash memory modules, which utilises COB processes, work-in-progress output from SMT processes are followed up by COB processes, inspection and packing. Details of the steps involved in the COB processes are illustrated in the following flow diagram.

COB production process flow diagram



QUALITY CONTROL

The Directors believe that the Group's product quality is the key to the sustained success of the Group. The management has established a quality control system based on ISO 9001, ISO 14001, OHSMS 18000 and QC 080000, which are the widely recognized standards for quality management, environmental protection management, occupational health and safety management and hazardous substance process management, respectively. The Group received ISO 9001:2000, ISO 14001:2004, OHSAS 18001:2007, QC 080000:2005 and ISO 9001:2008 certifications in August 2007, April 2008, June 2008, September 2008 and July 2010, respectively, for the Group's production facility in Dongguan, the PRC. The Group has also received awards from customers for, inter alia, successfully establishing an environmental management system, meeting the requirements of the customer's award programme.

The Group's quality control system is a comprehensive system that includes different quality control procedures related to various aspects, such as supplier management, equipment management, inspection on incoming material, production and final inspection before delivery. These procedures are audited annually and updated regularly as necessary to address operational needs according to the standards adopted by the Group.

Supplier management

The Group has detailed procedures in selecting its suppliers. In order to become a qualified supplier of the Group, its potential suppliers have to pass the Group's assessments on various aspects including quality management, procurement, equipment calibration, environmental protection systems etc.. The Group assesses its qualified suppliers periodically and disqualifies suppliers who fail its evaluation. During the Track Record Period, the Group did not disqualify any supplier for the two years ended 31 December 2009 and disqualified four suppliers in the year ended 31 December 2010 due to quality issues.

Equipment management

The Group has detailed procedures on the approval, adjustment and maintenance of its production and testing equipment. The Group conducts an assessment of the performance parameters on its equipment to confirm that the equipment can meet the Group's requirements. To ensure optimal performance of the Group's equipment, regular maintenance and calibration are carried out by designated personnel according to the maintenance instructions.

Inspection of incoming materials

Raw materials and components delivered to the Group are inspected and tested by the incoming quality control inspectors using AQL standards. The inspectors perform sample inspections and testing on each batch of incoming materials according to the suitable incoming quality control inspection and testing guidelines. Incoming materials are also inspected and tested according to any special requirements from the Group's customers. Any rejected incoming materials are passed to the Group's Material Review Board for further investigation.

Production

The Group plans and carries out production under controlled conditions. Controlled conditions include:

— controlled ambient environment
— availability of work instructions
— availability of testing and inspection instructions/equipment
— availability of fixtures and tools
— availability of order information, such as order release (OR), bill of materials (BOM) etc.

A process management plan is prepared for each product. The process management plan lists out the key technical parameters and their specification limits for each stage of the production process as well as the adjustments needed to be made when certain key parameters exceed their specification limits during the production process.

During various stages of the production process, the quality control team conducts visual checks and functional testing to ensure that the semi-finished and finished products comply with the requisite quality and performance standards. Semi-finished and finished products which do not meet the relevant quality standards will be re-worked and are subject to the same inspections and testing again before being accepted as shippable products.

Final inspection before delivery

The finished products are inspected and tested by the quality assurance inspectors using the AQL standards. The quality assurance inspectors perform sample inspections and tests on each batch of the finished products according to the appropriate inspection and testing instructions and checklists. Finished products are also inspected and tested according to any special requirements from the Group's customers. Finished products which do not meet the relevant quality standards will be re-worked and are subject to the same inspections and testing again before being accepted as shippable products.

RESEARCH AND DEVELOPMENT

The Directors believe that the Group's research and development capability has been, and will remain to be, a key constituent to the continual success to the Group's operation. As at 31 October 2011, the Group operates a research and development team that consists of 125 engineers and 56 of them are university graduates. The Group's engineers are distributed in Hong Kong, Shenzhen, Dongguan and Taiwan. The primary mission of the research and development team is to develop products to meet complex criteria in relation to product features and specifications, quality, costing and time to market.

The Group's research and development activities can be categorised into two main types: PC products (including video graphics cards) and EMS.

For PC-related products, the research and development team takes the information of chipsets from the technology suppliers, together with market information from the Group's sales and marketing team to develop products as defined. The major steps in product design and development include component selection, circuit and PCB design debugging, performance optimisation, reliability test, pilot run and mass production. The entire product development process complies with the ISO 9001 quality system where reviews are done and documented at the completion of most of the major steps. When required, the technology suppliers are also involved in reviewing the Group's product designs. In addition to the regular functional tests, the Group also runs a 9-7-7 EMI pre-scan chamber to ensure that the products' EMI emission level conforms to international standards.

For EMS, the research and development team is involved in optimising the cost and manufacturability of products. Where applicable, reliability tests are also conducted.

The Group has established procedures in determining the necessary stages for its product design and development process, followed by reviews, verifications and validations that are appropriate to each design and development stage. The Group conducts various tests, such as real time design rules checking, signal integrity measurement, S&H compatibility test, system integration test, dynamic and static burn-in test, environmental stress test, accelerated life test and packaging test, on the products designed by the Group. By conducting these tests, the Group aims to deliver products with the highest quality and reliability to its customers.

Real time design rules checking: The Group's engineers input certain design parameters into a design software. While the engineers design the layout of the PCB, the layout of the PCB is checked, in real-time condition, against the pre-set constraints and warnings will be given out if the constraints are violated.

Signal integrity measurement: It is a sophisticated product development process which requires advanced equipment and technical know-how. The Group's engineers test critical signals on the newly designed product, for example a video graphics card, and compare the results against industry standards, enabling the video graphics card to be used in PCs at different tolerance and quality levels.

S&H compatibility test: The software and hardware compatibility test is a design verification test to check the product's compatibility with different software and hardware.

System integration test: A complete PC system is built to check the mechanical fittings of the products manufactured by the Group. Testing software is run to test the system's functionality.

Dynamic and static burn-in test: Dynamic burn-in means running the product's system with testing or benchmarking software to check the system's reliability; Static burn-in means connecting the product with power supply only to test the product's reliability.

Environmental stress test: The product's system is tested under extreme conditions. (e.g. different temperatures, humidity and voltages).

Accelerated life test: It is a simulated aging test aiming to test the life of the products and components.

Packaging test: This includes drop test and vibration test for the products with box packaging. It aims to test the protection ability of the product's packaging during the shipping process.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the research and development department of the Group produced 180, 202, 179 and 79 PCB layout design definitions, respectively. A PCB layout design definition may be used to derive a number of video graphics card models. In 2010 a large proportion of the new GPUs released by NVIDIA were released late in the year and were of a high-end nature. High end GPUs generally breed fewer variant models of video graphics cards. This is due to the fact that the market size and number of end-users in the higher end market segments are comparatively smaller than those of the lower end segments, so video graphics card manufacturers generally offer fewer variant models to the higher end market segments. In order to improve product management and inventory control, the Group decided to produce less variant models for the market. The Group encouraged ODM customers to order existing models instead of demanding the creation of new variant models. GDDR2 and GDDR4 SGRAM technology were being phased out by memory manufacturers in 2010 and as a result, the Group no longer required to create variant models compatible with such versions of SGRAMs. Furthermore, during 2010, there were more new GPUs that were "pin-to-pin" compatible with existing circuitry, hence further reducing the need for new variants to be designed by the Group. The Group's revenue from video graphics cards for the three years ended 31 December 2010 and in the six months ended 30 June 2011 was HK$3,598 million, HK$3,920 million, HK$4,339 million and HK$1,920 million, respectively.

Apart from video graphics cards, the Group introduced a new product, namely MAGs (Mini All-in-one Giant) and ZBOX, which is a small PC designed for multi-media high-definition video playback, in 2009. The Group plans to continue to introduce new products under the Group's ZOTAC brand in the future. As at the Latest Practicable Date, the Group has 5 pending patent applications. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group's research and development expenditures were approximately HK$17 million, HK$18 million, HK$25 million and HK$12 million, respectively.

Collaboration with the Hong Kong University of Science and Technology

As at the Latest Practicable Date, the Group is an industrial member of the Hong Kong University of Science and Technology Electronic Packaging Laboratory ("HKUST EPACK Lab"). The HKUST EPACK Lab conducts testing and failure analysis on electronic components and board assemblies of the Group. The Group is also able to gain access to HKUST EPACK Lab facilities and benefit from the inspection and consulting services provided by the HKUST EPACK Lab. In February 2010, the Group utilised EPACK Laboratories of HKUST to carry out connection bonding integrity tests on PCB samples from a number of suppliers to enable the selection of a suitable PCB for production use.

In August 2010, after carrying out in-house thermal shock tests on a supplier's PCB, the Group proceeded to the HKUST EPACK Lab for further cross sectioning and mechanical stress failure analysis. Results of the analysis enabled the Group to qualify the said supplier's PCB.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group paid HKUST EPACK approximately HK$NIL, HK$90 thousand, HK$110 thousand and HK$130 thousand, respectively.

KEY CUSTOMERS

The Group's main products are video graphics cards, which accounted for approximately 82%, 83%, 78% and 66% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The Group manufactures MBA video graphics cards for AMD, and supplies video graphics cards, on an ODM basis, to some of the manufacturers of computer products, such as Hon Hai Precision. The Group manufactures video graphics cards for Sapphire on OEM and ODM bases. The Group also sells its own branded video graphics cards through its distributors globally.

Sapphire, one of the Group's top two customers, which accounted for approximately 13%, 11%, 9% and 8% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively, was an associate company of the Group prior to January 2008 when the Group's interest in Sapphire was reduced from 40% to 18.18%. At the end of the Track Record Period, the Group's interest in Sapphire was further reduced to 4.95%.

The Group's EMS division carried out contract manufacturing for EMS customers, which engaged the Group to manufacture other electronic components and products such as computer base units of POS and ATM systems, flash memory modules and Internet Media Tablets.

The Group's other PC-related products include mini-PCs and PC motherboards. These are the Group's own branded products, and are mainly sold to its distributors globally.

The Group's top five customers combined accounted for approximately 44%, 39%, 40% and 40% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. For the same periods, sales to the single largest customer of the Group accounted for approximately 13%, 11%, 10% and 16%, respectively of the Group's total turnover.

In general, during the Track Record Period, credit periods of 30 to 60 days were granted to the customers.

The five largest customers are mainly the customers of ODM/OEM video graphics cards, distributors of the Group's own brands of products, and major EMS customers including the POS and ATM systems, the flash memory modules, and Internet Media Tablet over the Track Record Period. Some of the largest customers first started to do business with the Group in 1997 and the newest one of such customers have also built up at least a three years business relationship with the Group. The Group's top five customers combined accounted for approximately 44%, 39%, 40% and 40% of the sales revenue of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The Group does not rely on its customers for their technology development for the ODM/OEM video graphics cards business. The Group has solid experience and technological know-how on design of video graphics cards with the capability to develop its own video graphics cards. However, the Group relied on the technology of the GPU providers, AMD and NVIDIA, to develop the Group's video graphics cards. Unsuccessful technology development of the GPU by AMD and NVIDIA would adversely impact on the financial performance of the Group. The Company is relying on the technology development of the EMS customers since the change of the life cycle of the EMS products and competition encountered by the EMS customers would have an adverse impact to the Company's financial performance.

The Group owned a 4.95% interest in Sapphire as at the Latest Practicable Date. The rest of the top five customers are Independent Third Parties.

SALES AND DISTRIBUTION CHANNELS

A. Sales

The Group is principally engaged in the design, development, manufacturing, marketing and sales of video graphics cards. Video graphics cards represented approximately 82%, 83%, 78% and 66% of the Group's revenue for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The Group has three sales channels. (1) ODM/OEM contract manufacturing of video graphics cards for third parties; (2) EMS business and (3) the Group's own branded products.

1. ODM/OEM contract manufacturing video graphics cards for third parties

During the three years ended 31 December 2010 and in the six months ended 30 June 2011, the ODM/OEM contract manufacturing business of the Group in respect of video graphics cards accounted for 57%, 52%, 48% and 36% of the Group's turnover, respectively, which is equivalent to HK$2,507 million, HK$2,454 million, HK$2,654 million and HK$1,045 million, respectively.

The decrease in the percentage of ODM/OEM video graphics cards contract manufacturing revenue on the Group's total sales revenue from the year ended 31 December 2008 to the year ended 31 December 2009 was mainly due to the revenue growth in the Group's own brand video graphics cards.

The decrease in percentage of ODM/OEM video graphics cards contract manufacturing revenue on the Group's total sales revenue from the year ended 31 December 2009 to the year ended 31 December 2010 was mainly due to the revenue growth in EMS business.

The decrease in percentage of ODM/OEM video graphics cards contract manufacturing revenue on the Group's total turnover from the six months ended 30 June 2010 to the six months ended 30 June 2011 was mainly due to a reduction in ODM/OEM orders and an increase in the turnover of EMS business.

Please refer to the section headed "Financial Information — Comparison of results of operations" for further information.

The Group carries out contract manufacturing of add-in video graphics cards for some manufacturers of computer products such as Hon Hai Precision and has a stable customer base. As at 30 June 2011, the top five customers of the said OEM/ODM contract manufacturing business have been customers of the Group for at least 5 years.

The OEM/ODM contract manufacturing business is led by one of the Group's executive Directors, who is based in Hong Kong. The Group utilises one representative under an annual agreement based in the UK, which is automatically renewed (unless otherwise terminated) each year for further period of one year. He is under a sales representative agreement with the scope covering OEM/ODM video graphics cards, motherboards and other products agreed with the Group from time to time. He is responsible for promoting the Group's products, introducing new customers to the Group, resolving marketing engineering, quality matters, and accounts receivable matters. The remuneration package for the said agreement consists of (1) a monthly retaining fee, which is subject to review annually and (2) a quarterly scaled performance incentive payment.

The Group engaged an engineering and marketing representative based in Germany under an annual agreement, which is automatically renewed (unless otherwise terminated) each year for a further period of one year. The representative is responsible for OEM/ODM video graphics cards, motherboards and other related products as agreed from time to time.

The remuneration is based on a monthly retaining fee, reimbursable expenses with cap, quarterly incentive based on number of units of products "sold and paid for" and a per unit commission for video graphics cards. The engineering and marketing representative is liable to payment deductions for amounts equal to aged debtors over 90 days or sales credits against returned defective products.

The number of ODM/OEM contract manufacturing customers is 80, 68, 72, and 51 for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. The number of ODM/OEM customers decreased over the years from 2008 to June 2011 due to (i) certain relatively small scale customers exiting the video graphics cards market and (ii) certain relatively large scale customers consolidating their outsourcing to placing orders with fewer numbers of contract manufacturers.

2. EMS business

The sales and marketing of the EMS business is managed from the head office in Hong Kong. The Group also utilises a consultant based in the US under an annual consultant service agreement, which is automatically renewed (unless otherwise terminated) each year for further period of one year. The consultant is responsible for maintaining business relationship and obtaining new orders from selected OEM/ODM contract manufacturing as well as EMS customers worldwide. The remuneration is based on a fees schedule specifying the fee applicable for each customer. Based on the Group's reputation, certain new EMS customers are introduced to the Group through industry referrals from trade connections. The Group from time to time carries out joint business development activities with a technology vendor leveraging on the Group's expertise in the design and engineering of the graphics related products.

3. The Group's own brands products

The Group manufactures and sells ZOTAC and Manli branded video graphics cards and other PC related products. ASK Group outsources all the manufacturing of Inno3D branded products sold by the Group.

The ZOTAC brand

The corporate decisions on sales targets and product road maps are determined in the head office in Hong Kong with support from the regions to reflect local customisation requirements. The Hong Kong head office provides overall support to the marketing efforts while each region decides on their promotional focus.

ZOTAC's turnover in EMEAI, APAC, China and NALA for the three years ended 31 December 2010 and in the six months ended 30 June 2011 are as follows:

	Years ended 31 December			For the six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
				(unaudited)	
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
EMEAI	447	502	649	243	292
APAC	102	125	161	72	121
China	106	264	390	173	278
NALA	70	177	287	150	164

(i) EMEAI region

The sales activities for the EMEAI region is led by a sales representative based in Germany, who is under an annual sales representative agreement for a period of one year (unless otherwise renewed in writing). The remuneration package consists of (1) a fixed monthly retaining fee; and (2) a profit sharing bonus, which is based on a fixed percentage on the sales revenue achieved by the representative.

The sales in EMEAI are conducted by six sales representatives covering regions including, (i) in Eastern Europe, Bosnia, Bulgaria, Croatia, Czech, Latvia, Moldova, Armenia, Romania, Turkmenistan, Ukraine, Hungary, Poland, Georgia, Slovenia and Russia; (ii) in Central Europe, Germany, Switzerland, Austria, Netherlands, Spain, Portugal, Italy, France and Turkey; and (iii) in Scandinavia, Denmark, Finland and Sweden. Most of the sales representatives are under an annual sales representative agreement with the Group, which will be either automatically renewed (unless otherwise terminated) each year or continue until terminated by either party to the agreement. The remuneration package consisted of (1) a fixed monthly retaining fee; and (2) either a commission, which is based on a fixed percentage on net invoiced amounts in relation to the relevant sales, or a discretionary bonus. Each sales representative agreement specifies the respective countries of coverage. In addition, such sales representatives are responsible to resolve accounts receivable matters due to the Group with concerned customers.

The sales representatives carry out business development and normally will engage and service one or two distributors in each district. Purchase orders from EMEAI distributors are placed directly with Zotac Macao. The credit terms are decided by the head office in Hong Kong. Dongguan Baineng produces ZOTAC products for Zotac Macao and Zotac Macao sells the ZOTAC products to EMEAI distributors.

(ii) APAC region

Sales in the APAC region is managed by a senior sales manager and a sales manager; they are both employees of the Group based in Hong Kong. In Hong Kong, the Group sells directly to local distributors. For Japan, Australia, Indonesia, Malaysia and Thailand, the Group engages at least one importer for each respective country. The importers, being customers of the Group, place orders and purchase products from the Group and resell the products to distributors in their countries.

Zotac Korea was incorporated on 12 May 2010 as a platform to further develop the presence of the ZOTAC business in Korea. Zotac Korea sources its ZOTAC products from Zotac Macao, which are produced by Dongguan Baineng. Zotac Korea acts as an importer of ZOTAC products into Korea, which in turn sells the products to distributors in Korea.

(iii) China region

The China region is led by a sales manager, who is an employee of the Group in charge of the sales of the PRC. The Group, through a legitimate foreign enterprise human resources service provider pursuant to a labour dispatch agreements, engages eleven persons in charge of business promotion and liaison support for a term ending 30 June 2013 or 31 December 2014 (as the case may be) according to their labour contracts with the said service provider, which may be renewed according to the needs of the Group if agreed by both parties to the labour contracts. Such persons provide promotion and liaison support in different regions of China including Nanjing, Guangzhou, Wuhan and Chengdu. The Group engages two importers, being customers of the Group, for China. The importers place purchase orders with and purchase products from the Group in Hong Kong.

(iv) NALA region

Zotac Nevada and NALA Sales (each then 60% held by the Group) were incorporated in 2007 to develop the sale of the ZOTAC products in the NALA region. The sales in this region is led by a head of sales based in Hong Kong, who is an employee of the Group. After the Reorganisation with regard to ZOTAC US (for details, please refer to the section headed "History and development — Reorganisation" in this prospectus), NALA Sales entered into a sales agent and services agreement with Zotac Nevada under which NALA Sales shall act as non-exclusive sales agent for ZOTAC within the US to promote and arrange for sales of ZOTAC products within the US. The initial term of the said sales agent agreement is for three years expiring 31 December 2013, which is automatically renewed (unless otherwise terminated) for further period of three years. NALA Sales is entitled to service payments and reimbursement of expenses to be settled quarterly. The service payment is determined as a percentage of the after-tax earnings of Zotac Nevada on a sliding scale.

Inno3D brands of ASK Group

The corporate decisions on sales targets and product road maps are determined by ASK Group in Hong Kong. The main markets of ASK Group's products are EMEAI and APAC.

(i) EMEAI region

ASK Group's products are sold to 25 countries in EMEAI. In the UK, Russia, the Ukraine, sales and marketing activities are covered by sales representatives under agreements with the Group. For the other countries in EMEAI, sales and marketing activities are covered by staff of the Group based in Hong Kong.

(ii) APAC region, Hong Kong and China

ASK Group's products are sold to 11 countries in APAC in addition to Hong Kong and China. Sales and marketing activities are covered by staff of the Group based in Hong Kong.

The Manli brand

The corporate decisions on sales targets and product road maps are determined by Manli Group in Hong Kong. The main markets of Manli Group's products are EMEAI and APAC.

(i) EMEAI region

Manli Group's products are sold to 5 countries in EMEAI. Manli Group's sales and marketing activities are covered by staff of the Group based in Hong Kong.

(ii) APAC region and Hong Kong

Manli Group's products are sold to 6 countries in APAC in addition to Hong Kong. Sales and marketing activities are covered by staff of the Group based in Hong Kong.

B. Pricing policy

Introduction

The Group prices products and services on the basis of a cost-plus calculation methodology. The prices of products and services are derived from the sum of three elements, namely, (i) total cost of materials on the basis of current prices; (ii) "value-added" costs, comprising pre-manufacturing costs, equipment usage, production and testing services, packaging, logistics, selling and administration overheads ("value-added costs"); and (iii) a reasonable profit margin determined by the management based on market practice, economic situation, the Company's annual profit target, etc. ("profit margin"). Market prices of high value components, GPU and commodity items such as RAM are constantly monitored and reflected in quotations or selling prices to customers as soon as possible, and prices of the bill-of-materials of products are constantly updated to assure that product costs are as current as possible.

The Group would estimate the assembly cost on the basis of product complexity and specific customer requirements in order to come up with the assembly fee, which would be charged on top of the material costs to arrive at the selling price for the assembly of video graphics cards for ODM/OEM contract manufacturing customers. The Group would refer to the bill of materials provided by the customers to estimate the assembly charge. The component count on the video graphics cards and the through hole assembly required for manufacturing would be taken into consideration for the price quote. Furthermore, the Group would also assess the labour resources, the factory and administrative overheads, specific quality control measurement, testing requirement, packing and shipping cost, trial run cost, sales warranty, finance costs and then add in the profit margin to determine the selling price for the ODM/OEM contract manufacturing business.

Own brands products

In the case of the sale of the Group's own brands products to importers and distributors, price quotations are evaluated on weekly basis and, if appropriate and with reference to manufacturers' suggested retails prices ("MSRP") provided by GPU manufacturers, adjusted to reflect the cost change.

ODM/OEM contract manufacturing

In the case of the ODM or OEM contract manufacturing, pricing is based on the current prices for the bill-of-materials costs plus the value-added costs and profit margin. The Group evaluates prices on a monthly basis for long-term orders and, if appropriate, adjusts the prices to reflect the change in prices.

The Group carries out contract manufacturing on an OEM basis for AMD. AMD provides GPUs to the Group on a consignment basis. AMD retains title over such consigned GPUs. Certain components and materials such as RAM may be provided by AMD on a consignment basis from time to time. The Group always procures fansinks and PCBs on behalf of AMD and such components would be accounted for as purchases of the Group and expensed as cost of sales. The Group would procure any remaining components and materials necessary for the assembly of MBA video graphics cards. Most of the components and materials are sourced from AMD approved vendors, as required.

The Group carries out contract manufacturing on OEM or ODM bases for Sapphire. Sapphire provides GPUs to the Group on a consignment basis. Sapphire retains title over such consigned GPUs. Sapphire may choose to consign certain other components and materials to the Group and require the Group to procure any remaining components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements varied from time to time.

Other ODM/OEM contract manufacturing customers, such as Hon Hai Precision, which engage the Group to assemble video graphics cards, usually require the Group to procure all the components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. Such customers have specific quality and testing requirements to meet the their specifications, and the Group would add certain charges for the service of satisfying specific requirements. The Group would also add an agreed percentage premium into the selling price to cover potential costs of returns. As an industry practice, the Group would seek reimbursement for the costs of inventories of slow moving or obsolete components and materials, which are procured specifically for such customers.

EMS

In the case of the EMS business, except for the materials and components consigned to the Group by the customers, costs of other materials sourced and supplied by the Group on behalf of the customers shall be updated to the costs of the bill-of-materials and passed on to the customers directly. Prices of quotation are based on the most current cost of the bill-of-materials, plus the value-added costs and profit margin.

To the extent that actual costs are different from anticipated manufacturing costs, the Group's realised margin may differ from that anticipated. Actual costs, and therefore profitability, may vary due to factors such as the ability to achieve the Group's target productivity performance and the ability to procure materials and input components at prices quoted by the suppliers. This pricing policy provides a profit incentive to maximise efficiency and procurement power. However, if conditions are adverse, the Group may experience reduced margins in the short term.

C. Credit policy

The Group has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit. Ongoing evaluations are performed on the financial condition of trade customers. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

However the Group has purchased credit insurance for the Group's trade receivables. Credit insurance companies assess the creditability of the Group's customers individually, and fix the insured credit limits of each customer. Credit insurance companies charge certain percentage of total insurable turnover as annual premium and compensate the Group for proven uncollectable trade receivables within insured credit limits. Annual maximum liability of credit insurance companies ranges from 24 to 75 times of actual premium paid by each group company of the Group. Total premium paid were approximately HK$3.7 million, HK$5.8 million, HK$6.9 million and HK$4.1 million respectively for the years ended 31 December 2008, 2009, 2010 and in the six months ended 30 June 2011. Total insured trade receivables accounted for approximately 57%, 49%, 48% and 56% of the Group's total trade receivables as at 31 December 2008, 2009, 2010 and 30 June 2011. In this regard, the Directors consider the Group's credit risk to be significantly reduced.

D. Seasonality effect on the business of the Group

The business of the Group is subject to seasonality effect. Such effect had significant impact on the Group's sales revenue and financial performance during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) during the Track Record Period. The sales of PC Partner tended to increase in the fourth quarter of each year during the Track Record Period, which was due to the typical consumer spending pattern increasing around the Christmas and new year holidays season. The sales revenue in the fourth quarter of 2009 and 2010 represented 31% and 32% of the total sales revenue of the respective years. The Group's own brands of video graphics cards, ODM/OEM video graphics cards for the retail market, ODM/OEM video graphics cards assembled for PC manufacturer customers sold by PC Partner were subject to similar seasonality effect driven by the holiday seasons. The seasonality trend is also applicable to the sales of other PC-related products and some of the EMS products such as Internet Media Tablets and the flash memory modules sold by PC Partner, which shared the same seasonality effect driven by the holiday seasons.

MARKETING OF THE GROUP'S OWN BRANDED PRODUCTS

1. ZOTAC

The marketing strategy is driven from the head office in Hong Kong and formulated based on the technology roadmaps devised by the product management teams. There are three product management teams covering (1) video graphics cards, (2) motherboards and (3) mini-PC. The sales targets are determined based on prior results and the required growth for the following year.

An annual marketing budget is set with reference to the sales targets. The marketing budget is allocated to the EMEAI, APAC, China and NALA regions to deploy in funding joint promotional programmes with distributors.

During the Track Record Period, ZOTAC exhibited in the following international trade shows every year: CES, CeBIT and Computex. ZOTAC also maintains an internet website www.zotac.com, enabled in 15 languages which acts as an interactive marketing channel between the Group and its customers. The website also serves to introduce the Group's products to potential customers worldwide and provides a platform for rendering technical support to its customers.

As it is important to focus on the local requirements of each market, the Hong Kong head office provides overall support to the marketing efforts while each region decides on their promotional focus. In the EMEAI region, there are front line marketing and public relations personnel based in Germany, UK, Turkey and the United Arab Emirates. These personnel are under service agreements with the Group.

In the APAC region, there are front line personnel based in Hong Kong. In the China region, there are front line personnel based in Shenzhen, the PRC. In the NALA region, Zotac Nevada engaged NALA Sales to act as sales agent for ZOTAC within the US to promote and arrange sales of ZOTAC products within the US as well as outside the US with prior written consent. Personnel based in Hong Kong and the PRC are employees of the Group.

2. Brands under ASK Group

The marketing strategy for the Inno3D is driven by ASK Group from Hong Kong. ASK Group has exhibited Inno3D at DISTREE XXL, CeBIT and Computex every year during the Track Record Period. As worldwide launch partners of NVIDIA, Inno3D is named in NVIDIA new products press releases. To coincide with product launch, ASK Group makes announcement on the Inno3D website, issues press releases and arranges media product reviews. In terms of social media networking, ASK Group maintains its Facebook page and Youtube channel to disseminate product information.

3. Manli

The marketing strategy for Manli products is driven by Manli Group from Hong Kong. Manli Group has exhibited at Computex every year during the Track Record Period. In addition, it exhibited at CeBIT and GITEX Technology Week in 2008, at GITEX Technology Week and DISTREE XXL in 2009. To coincide with product launch, Manli Group makes announcement on their website, issues press releases and arranges media product reviews. In terms of social medial networking, Manli Group maintains its Facebook page to disseminate product information.

Manli Group generally pays one or two visits to the most important customers worldwide every year.

AFTER SALES SERVICES

The Group recognises the importance of providing efficient and effective after-sales service to customers of its ZOTAC products. For the ZOTAC branded products, each region has its own after-sales service arrangement.

In the EMEAI region, customer service and technical support are undertaken by a contractor of the Group based in the UK. Returns are only accepted when accompanied by an RMA form issued to the customers of the ZOTAC branded products in question. A buffer stock is maintained by the service company in the UK for products replacement purposes. Technical assessments of the returns are first made in the UK and faulty products are returned to the factory in China for repairs.

In the APAC region, customer service and technical support are handled by the staff based in Hong Kong. Returns are only accepted when accompanied by an RMA form issued to the customers of the ZOTAC branded products in question. Faulty products are returned to the factory in China for repairs.

In China, customer service and technical support are handled by the staff based in China. Returns are only accepted when accompanied by an RMA form issued to the customers of the ZOTAC branded products in question. Faulty products are returned to the factory in China for repairs.

In Hong Kong, customer service and technical support are handled by the technical support department based in the head office. The Hong Kong based technical support department also handles technical enquiries and provides support to distributors worldwide.

In the NALA region, customer service is provided by NALA Sales in the US.

Generally, under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale. The Group also has a policy allowing the customers to return any defective products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns policy in respect of sales made during the Track Record Period. The amount of provision for warranty takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the value of returns of the Group were HK$20.6 million, HK$31.6 million, HK$36.1 million and HK$18.9 million, respectively. There was no product recall during the Track Record Period.

SUPPLIERS AND RAW MATERIALS AND COMPONENTS

Video graphics cards are the most important products of the Group and they accounted for approximately 82%, 83%, 78% and 66% of the turnover of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Of all the raw materials and components used for video graphics cards and other PC-related products manufacturing, the GPUs are the most critical components, which are sourced from NVIDIA and AMD by the Group. Other principal raw materials and components used for the manufacturing of video graphics cards and other products of the Group include RAM, PCB, heatsink (including fansink) and other electronic components. The purchases of ASIC (including GPU), RAM, PCB and heatsink, collectively accounted for approximately 62%, 68%, 66% and 64% of the Group's total purchases for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The purchases of other electronic components, such as capacitors, transistors, connectors and ICs, accounted for approximately 38%, 32%, 34% and 36% of the Group's total purchases for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. The Group purchases these raw materials and components from a number of suppliers. The Group has not in the past encountered any significant disruption in its production which was caused by shortage of supply in raw materials and components.

Among the principal raw materials and components, the market price of RAM tended to be relatively volatile. The purchase of RAM accounted for approximately 9%, 14%, 20% and 17% of the Group's total purchases for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. For the Group's ODM contract manufacturing business, RAM prices are reviewed on a monthly basis for long-term orders and on a case by case basis upon receiving requests for quotations for single production run orders. The knock-on effects to the prices of finished goods are communicated to customers. For the Group's EMS and OEM/ODM contract manufacturing businesses, RAM and certain other components are consigned by customers. Therefore, price fluctuations of the principal raw materials and components are passed onto the customers for the EMS, OEM and ODM businesses. In respect of the business of ZOTAC branded products, the Group conducts internal meetings on a weekly basis to review market prices and inventory levels of RAM. Prices of ZOTAC branded finished goods for distributors are determined and locked-in on a weekly basis accordingly. The Group maintains a level of strategic inventory of RAM by estimating its production demand and closely monitoring the world RAM market. The Group aims not only to maintain adequate supply for its production consumption, but also to smooth out material and component prices for its customers. The Group maintains a number of RAM suppliers in order to avoid being overly dependent on one single supplier. During the three years ended 31 December 2010 and in the six months ended 30 June 2011, the largest RAM supplier accounted for 37%, 34%, 37% and 34% of RAM, respectively, in monetary terms purchased directly by the Group.

Inventory control

In view of the rapid development in technology in the PC industry, the Group adopts stringent inventory control policies to avoid obsolescence in raw materials and components and finished products, which would negatively impact on the Group's financial position. Periodic review of the inventory is performed and aging reports are generated by the ERP system, and slow-moving and obsolete stock items can be identified. Inventories are regarded as obsolete when they are considered not saleable or no longer suitable for production usage. In addition, the Group also performs physical stock-take on its inventory twice every year. During the physical stock-take, all damaged, defective or obsolete inventory items are identified and written off. In addition, the result of the physical stock-take will be compared with the data from the inventory reports generated by the ERP system, and if there is any discrepancy, the data in the ERP system will be updated.

Specific provisions for inventory will also be made when there are slow-moving or obsolete stock items. In accordance with the Group's inventory policy, stock obsolescence provisions are made on a semi-annual basis for stock over one year old. The policy was consistently applied in the Track Record Period. During the Track Record Period, the Group made provisions of HK$7.7 million, HK$0.5 million, HK$1.7 million and HK$7.7 million, respectively, which equated to 0.18%, 0.01%, 0.03% and 0.26% of turnover respectively.

The five largest suppliers consist of suppliers for GPU, RAM, PCB, and specific chipset supplier for the Internet Media Tablets over the Track Record Period. Majority of these suppliers have established long term relationship with the Group for over five years and some of the suppliers first did business with the Group in 1997. The others among the top five suppliers have at least two years of business relationship with the Group. The Group relies on the technology development of GPUs by AMD and NVIDIA. Their productivity in terms of, for example, introducing new GPUs to the market, could have impact on the Company's financial performance. Other suppliers of RAM and PCB have long stable and established business relationship with the Group. The technology development of their products is not expected to have as significant impact on the Group as the GPU providers due to the existence of alternative providers.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, purchases from the top five suppliers represented approximately 45%, 49%, 49% and 46% of the Group's total purchases, respectively. For the same periods, purchases from the top supplier represented approximately 27%, 36%, 33% and 28% of the total purchases of the Group, respectively.

The top five suppliers of the Group for the three years ended 31 December 2010 and in the six months ended 30 June 2011 are Independent Third Parties.

Seasonality effect on the business of the Group

The business of the Group is subject to seasonality effect. Such effect had had significant impact on the Group's sales revenue and financial performance during the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) during the Track Record Period. The sales of PC Partner tended to increase in the fourth quarter of each year during the Track Record Period, which was due to the typical consumer spending pattern increasing around the Christmas and new year holidays season. The sales revenue in the fourth quarter of 2009 and 2010 represented 31% and 32% of the total sales revenue of the respective years. The Group's own brands of video graphics cards, ODM/OEM video graphics cards for the retail market, ODM/OEM video graphics cards assembled for PC manufacturer customers sold by PC Partner were subject to similar seasonality effect driven by the holidays season. The seasonality trend is also applicable to the sales of other PC related products and some of the EMS products such as Internet Media Tablets and the flash memory modules sold by PC Partner, which shared the same seasonality effect driven by the holiday season.

Key costs components

Of all the components required to manufacture a video graphics card, GPU is the most expensive component. During the Track Record Period, the price, which the Group purchased GPUs ranged from approximately US$5.0 to US$300.0. Purchase of GPU accounted for approximately 35%, 38%, 34% and 36% for the Group's total materials purchases for the three years ended 31 December 2010 and for the six months ended 30 June 2011, respectively.

Relative to the other components, RAM is considered to be slightly more expensive. During the Track Record Period, the price, which the Group purchased RAM ranged from approximately US$0.8 to US$6.0 per unit. Purchase of RAM accounted for 9%, 14%, 20% and 17% of the Group's total raw material purchases for the three years ended 31 December 2010 and for the six months ended 30 June 2011, respectively. Similar to GPU, the top five manufacturers RAM together produced approximately 90% of the world's output.

Because of the relatively short life cycle of video graphics cards, the price of all the key underlying materials are subject to volatile fluctuations especially at times when imbalance between supply and demand occurs.

For the Group's ODM/OEM contract manufacturing changes in material prices can be passed on to its customers generally and as such the impact on the Group's profit margins would be minimal. This would not be the case for the Group's own brands products when there is an unexpected increase in the price of any of the key components and yet the Group may not be able to readily raise the selling price of its products in the retail market. Any significant fluctuation in the price of the key components could adversely impact on the Group's profit margin.

During the Track Record Period, the prices of the key components were considered to be relatively stable.

Procurement

To enhance the Group's control over suppliers and raw materials and components, the Group has deployed an ERP (enterprise resource planning) system provided by Oracle in 2007. This ERP system is an integrated software, which helps the Group manage procurement, inventory, manufacturing planning and distribution.

The Group has a dedicated Material Planning team to monitor the inventory level of raw materials and components by coordinating closely with the Group's purchasing teams and sales teams.

In order to respond proactively to market situation, but at the same time avoid excessive lock-up of working capital and reduce the impact of the fluctuation of raw materials and components market price, the Group's purchasing teams have maintained good relationship with certain suppliers, and frequently communicate with suppliers to give indication of the Group's future requirements for raw materials and components. Such arrangements have so far provided comfort to the Group in securing raw materials and components. Only in respect of those raw materials and components, which need long lead time between ordering and delivery and only have limited number of suppliers such as fansinks and PCBs, the Group will place binding purchase orders from between one week and two and a half of months in advance. For each of the three years ended 31 December 2010 and in the six months ended 30 June 2011, purchases from the five largest suppliers in aggregate accounted for approximately 45%, 49%, 49% and 46%, respectively of the Group's total purchases.

Payment terms

The Group's purchases are principally settled in US dollars, Hong Kong dollars and Renminbi mostly on open accounts with credit periods of 30 to 90 days being offered to the Group by its suppliers.

COMPETITION

The PC video graphics card industry is highly competitive and is characterised by rapid technological and consumer preference changes, new product development, rapid product obsolescence, and significant price erosion over the life of a product, among other factors.

The Group aims to compete on the basis of the following key characteristics: engineering expertise, in-house state-of-the-art and flexible manufacturing system, product reliability, pricing, performance, quality, functionality and design that can be efficiently commercialised and manufactured in volumes, and time-to-market delivery capabilities.

The amalgamation of the businesses of ASK Technology Limited and Manli Technology in April 2008 into the Group has since resulted in significant benefit to the cost structure of the Group through volume discounts.

The Group benefits from having the flexibility of in-house engineering expertise and SMT manufacturing facilities not only to provide a sustainable platform for developing and manufacturing new products for its own brands, but also the ability to offer comprehensive ODM design to better meet the performance of its video graphics cards for ODM/OEM contract manufacturing customers. The Group also believes that it differentiates itself by offering quality products, customer focused service and continual technological enhancement.

Over the years the Group has developed relationships with the world's two main manufacturers of GPUs, namely, AMD and NVIDIA. The Group is one of the contract manufacturers of AMD's MBA video graphics cards. The Group through its wholly owned subsidiaries has achieved and maintained the NVIDIA Authorised Add-in Card Partner status since 2006, through which the Group is eligible for the rebate programmes and special discounts that NVIDIA offers from time to time. At the same time, the Group has also been granted and maintained NVIDIA Authorised Board Partner status since 2006 for EMEAI, since 2008 for APAC and since 2009 for NALA. Qualification as NVIDIA Add-in Card Partner is at the discretion of NVIDIA management. There is no contractual fulfilling condition for the Group to maintain the NVIDIA Add-in Card Partner status. The said status can also be achieved by other manufacturers.

REAL PROPERTY

As of the Latest Practicable Date, the Group leases all but one of its properties in use. For details of the Group's properties, please refer to the Property Valuation Report set out in Appendix III to this prospectus.

Properties owned by the Group

As of the Latest Practicable Date, the Group holds one property with a total gross floor area of approximately 341.5 sq.m. in Hong Kong (namely Group I property numbered 1 in the Property Valuation Report) for workshop and ancillary office purposes.

Properties leased by the Group

Hong Kong

As of the Latest Practicable Date, the Group leased a total of eight properties with a total lettable area of approximately 3,165.1 sq.m. in Hong Kong, all of which were for office, warehouse, workshop, dormitories and associated facilities (namely properties in Group II numbered 2 to 9 in the Property Valuation Report).

The PRC

As of the Latest Practicable Date, the Group leased a total of seven properties with a total lettable area of approximately 152,987 sq.m. (Group III No. 10-16) in the PRC. The Group has been advised by its legal advisers as to PRC laws that three properties (comprising three plants and ancillary buildings) in Dongguan, the PRC (Nos. 12 and 13 of Group III in the Property Valuation Report in Appendix III to this prospectus), with a total lettable area of approximately 150,318.9 sq.m., are rented from Dongguan Haifu Shiye Limited ("Dongguan Haifu"), which is authorised by Dongguan Yufu Shiye Limited ("Dongguan Yufu").

The buildings and associated facilities in the said properties were erected by Dongguan Yufu and Dongguan Haifu (as the case may be) with all construction costs fully paid. Dongguan Haifu or Dongguan Yufu possesses the building ownership certificates for most parts of the said properties. The building ownership certificates obtained cover a total area of approximately 147,014.9 sq.m. The Group's PRC Legal Advisers have confirmed that only approximately 3,304 sq.m. of the areas not covered by building ownership certificates were temporary structures. These structures are used as 1) shoes room, 2) guards houses, 3) refuse collection rooms, 4) disused building and 5) non-productions related repair yard.

As the Group's PRC Legal Advisers have confirmed, 1) Dongguan Haifu and Dongguan Yufu (as the case may be) have obtained land use rights in relation to the properties; 2) both Houjie town People's Government of Dongguan City and the Village Committee of Santun Village, Houjie town of Dongguan Village have shown that the three plants were built by Dongguan Haifu. No third party has ever questioned the ownership rights of the named properties, and the government departments concerned had neither questioned the ownership rights nor taken investigation or issued any administrative penalty regarding the named properties. Dongguan Haifu did not obtain the building ownership certificates for these temporary structures due to the temporary nature of the same. Such temporary structures include certain disused buildings, shoes room, refuse collection room, guard house and non-production related repairs yard, which are not utilised by the Group in the operation of its business. Dongguan Haifu have undertaken to indemnify the Group against any loss arising from issues concerning the ownership of such properties. During the effective period of the corresponding leases, in the event that Dongguan Haifu cannot fulfill their obligations thereunder due to the removal of the said temporary structures or other reasons, they shall provide reasonable notice for the Group to relocate and shall be responsible to compensate the Group for its loss in relation to its relocation (including but not limited to the cost incurred in relation to the improvement of such properties).

Based on the indemnity provided by the Dongguan Haifu, the Directors do not anticipate the Group to be liable to and will incur potential penalty in respect of such properties. The Directors will consider taking steps to amend the leases to terminate leasing such properties to prevent future non-compliance. The Directors consider the costs of abandoning or relocating the shoe rooms, guard houses, refuse collection rooms and non-productions related repair yard as de minimus. The Directors confirm that the properties with defective titles are not crucial to the Group collectively or individually.

Macau

As of the Latest Practicable Date, the Group leased one 88.26 sq.m. property in Macau (namely property numbered 17 in Group IV in the Property Valuation Report) for office purpose.

Overseas

As of the Latest Practicable Date, the Group leased three properties overseas with a total lettable area of approximately 863.7 sq.m. (namely property numbered 18 to 20 in Group V in the Property Valuation Report), which are used by the Group for office and warehouse purposes.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, the Group had 10 registered patents, 60 registered trademarks, 5 pending patent applications and 11 pending trademark applications. Out of the 60 registered trademarks, 12 were registered under an abbreviated name of Zotac Macao and out of the 11 pending trademark applications, 4 applications were filed under an abbreviated name of Zotac Macao. According to the advice of the legal adviser to the Group on the laws of Macau, Zotac Macao, being incorporated in Macau as an offshore commercial company, must sign all documents related to the same with its full name in accordance with the rules enacted by Decree-Law no. 58/99/M, of 18 October 1999. The use by Zotac Macao of its abbreviated name, which is different from its registered name, may give rise to confusion as to the true identity of the owner of the trademarks. Therefore, the rights of the Group to the relevant trademarks may be invalid or unenforceable. As at the Latest Practicable Date, the Group has filed applications to rectify the name of registrant of 5 trademark registrations and the name of applicant of 3 pending trademark applications. As these 8 trademarks involve 6 jurisdictions and the time required for processing the rectification of the names of registrants/applicants of such trademarks differs among the different jurisdictions, the Group is therefore unable to estimate the time frame within which such rectification process will be completed. As the remaining 7 trademark registrations and 1 pending trademark applications where an abbreviated name has been used were in respect of trademarks either superseded by new trademarks or were only used in relation to discontinued products, the Group did not file applications to rectify these registrations or applications. In the mean time, while the Group awaits the rectification of the name of registrant of the aforesaid 5 trademarks registrations, such trademarks are at risk of being infringed in the jurisdictions concerned. Such jurisdictions include the PRC, Hong Kong, Brazil and Turkey. Please refer to the section headed "Risk factors — The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others" in this prospectus, for the risks and possible impact on the Group in relation to, inter alia, the said trademarks not registered in the full name of Zotac Macao. Please refer to the section headed "4. Intellectual property of the Group" in Appendix V to this prospectus for details of the Group's trademarks and patents.

Should the Group fail to rectify the incorrect registrations and incorrect pending registrations of any or all of the 8 trademarks concerned, in the event that there is a trademark dispute, the situation may give rise to confusion as to the true identity of the owner of the trademarks. Such trademarks are registered or pending registration and cannot be registered again by other entities in the mean time. The Group will take appropriate legal actions to defend its rights to the trademarks despite any of the aforementioned confusion. Potential infringement of trademarks may happen to both correctly and incorrectly registered trademarks alike. The Directors consider that the Group owns the trademarks necessary for its operations and do not anticipate any impact on the Group's operations as a consequence of the incorrect registrations or pending registrations. The financial results of the Group may be affected due to related legal expenses.

As at the Latest Practicable Date, the Group had not recorded any incident of infringement of any of the Group's patents or trademarks. In the event of any infringement of the Group's intellectual property rights, the Group may seek legal advice in the relevant jurisdiction and take legal action to protect its rights as appropriate.

INSURANCE

The Group maintained property all risk insurance for its stock and building contents. The Group maintained product liability insurance for certain EMS and contract manufacturing customers. The products insured include video graphics cards, certain EMS products and other PC related products of certain customers. The insurance covers all sums which the certain subsidiaries of the Group shall become legally liable to pay by way of compensation in respect of injury or damage in connection with the insured products. As at the Latest Practicable Date, the Group had not received any material claim from customers regarding any of the Group's products. During the Track Record Period, the Group has not received any material claim from third parties in relation to the use of its products.

EMPLOYEES

As at 31 October 2011, the Group employed 5,694 employees, of which 5,339 are in Dongguan, the PRC. The Group employed 125 engineers in the research and development teams in Shenzhen, Dongguan, Taiwan and Hong Kong.

The Group emphasises on continuous learning. Every staff member of the Dongguan operations is required to attend 15 to 20 hours of training to further develop their management and technical skills each year.

Employee amenities are provided where practicable. In the Dongguan operations, subsidised quarters, canteens, free libraries, computer room, sports rooms, gymnasium, basketball fields, dance/karaoke halls as well as gardens with farming beds are provided to the employees. The human resources department and the employees' recreation committee hold regular sports games, singing and talent contests, outings, interest classes and variety shows for the employees.

The Group observes various labour laws and regulations in its places of operation. During the Track Record Period, the Group was not involved in any major labour dispute and did not receive any notification nor warning. Neither has it been subject to any fine nor legal action in relation to any breach of any relevant labour laws and regulations.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Environmental matters

The Directors confirmed that the Group's manufacturing process does not generate significant chemical wastes, waste water, waste gases or other industrial wastes. Therefore, the impact of the Group's production process on the environment is believed to be limited. The Group is subject to the environmental protection laws and regulations promulgated by the PRC government. During the process of production, the Group has complied with applicable national and municipal environmental protection regulations in relation to, particularly, disposal of waste water, gaseous emissions, solid and industrial wastes, which are produced during the production process according to related laws and regulations. The Group runs its own waste water treatment facilities in the Dongguan operations and implements a set of waste treatment procedures (for example sorting and recycling) to reduce wastes and be friendly to the environment and the community.

The Group's Dongguan operations obtained the ISO 14001:2004 environmental management system standard certification in 2008. The environmental management system standard certification for the Group is important to the Group as they serve to enhance customers' confidence in the Group's products and are essential for the Group in promoting its products to overseas customers.

The European Union implemented the WEEE and RoHS directives in August 2005 and July 2006, respectively. Accordingly, the Group has implemented a set of hazardous substance control standards in compliance with WEEE and RoHS for the manufacturing process. For instance, externally, in the procurement of raw materials, the Group has set up and implemented a green supplier quality management system requiring that the raw material suppliers comply with the Group's requirements for green products. Internally, the Group has already established the Hazardous Substance Process Management ("HSPM") system and received the QC 080000:2005 certification in 2008.

The Group has implemented systematic procedures for environmental protection. The relevant environmental protection authorities have confirmed that the Group is in compliance with the relevant environmental protection rules and regulations. The Group's environmental protection procedures and systems are adequate to enable the Group to comply with the current applicable municipal and national environmental protection regulations in the PRC. The approximate annual expenses of compliance with applicable rules and regulations and other elective measures for the three years ended 31 December 2010 and in the six months ended 30 June 2011 are approximately RMB468,000, RMB1,567,000, RMB539,000 and RMB459,000, respectively. The approximate expected expenses of compliance with applicable rules and regulations and other elective measures for the year ending 31 December 2011 is approximately RMB678,000.

The Group's PRC subsidiaries, Dongguan Baineng and Dongguan Tianpei, have obtained signed confirmation letters dated 27 January 2011 and further confirmation letters dated 14 November 2011 from Dongguan Environmental Protection Bureau (東莞市環境保護局), confirming that Dongguan Baineng and Dongguan Tianpei have complied with applicable laws and regulations related to environmental protection, no pollution accidents and environmental non-compliance activities have been committed by Dongguan Baineng and Dongguan Tianpei since 1 January 2008 up to the confirmation date. As of the Latest Practicable Date, the Group had obtained all the required permits and environmental approvals for its production facilities in Dongguan.

Labour and safety issues

The Group are subject to various safety laws and regulations in the PRC including the PRC Labour Law (中華人民共和國勞動法), the PRC Labour Contract Law (中華人民共和國勞動合同法), the Fire Control Law of the PRC (中華人民共和國消防法), the Production Safety Law of the PRC (中華人民共和國安全生產法) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. The Company's human resources department, which is responsible for the formulation and implementation of human resources policies, will from time to time make adjustment, if necessary, to our human resources policies to accommodate material changes to relevant labour and safety laws and regulations to ensure their compliance. In addition, the Group has established a production safety committee (the "Safety Committee"), which is responsible for production safety and labour health and safety matters. The Safety Committee is headed by the Chief Human Resources and Administration Officer and composed of representatives from different departments. The Safety Committee members meet regularly to review our operations' safety measures and production safety standards to ensure our production safety policies comply with the requirements of the applicable laws and regulations from time to time. The Group will also seek advice from concerned government bureaus on labour and safety related compliance matters as and when required. To ensure the safety of its employees, The Group implements operational procedures and safety standards for our production process. The Group provide its employees with industrial safety training to enhance their safety awareness. The Group also carries out equipment maintenance on a regular basis to ensure their smooth and safety operation.

The Company confirms that its operations have complied with the applicable labour and safety regulations in all material respects, and compliance with the required measures under the applicable laws and regulations did not have a material impact on its operations and financial position during the Track Record Period.

Health and safety matters

The Group's Dongguan production facilities were accredited with the OHSAS 18001:2007 Occupational Health and safety management system standard certification by TUV NORD in 2008. The facilities are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which the operations must comply. To ensure that the operations meet the requirements, the Group regularly reviews its occupational health and safety procedures to assure that effective measures are developed to comply with all relevant legal standards.

Since the establishment of its production facilities in Dongguan, the Group has adopted and implemented the following occupational health and safety procedures and measures: (i) establish a Safety Committee led by the Chief Human Resources, and Administration Officer to manage, review and implement necessary health and safety practices; (ii) maintain in-house clinics with qualified personnel to look after employees' health and carry out regular medical check up and provide immediate medical attention to emergent injury cases; (iii) provide guidelines and process procedures and work instructions on occupational safety, such as production safety measures and procedures for handling certain emergency situations, to all concerned employees; (iv) inspect routinely all equipment and facilities, such as elevators, heavy lifting machines, pressure vessels and piping and boilers, and obtain safety inspection certificates from the municipal regulatory bodies; (v) provide relevant training to the employees on a regular basis to increase safety awareness. As at the Latest Practicable Date, the Group had not been involved in any accident causing death or serious bodily injury in the course of its business operation.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, the Group had not been involved in any litigation, arbitration or administrative proceedings, which were pending or threatened against it or any of its subsidiaries, which could have a material adverse effect on its financial condition or results of operation.

THE CONTROLLING SHAREHOLDERS

The Controlling Shareholders, being Mrs. Ho Wong Mary Mee-Tak, Classic Venture and Perfect Choice, will be interested and deemed interested in a total of 31.70% of the issued share capital of the Company upon completion of the Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, the Controlling Shareholders (collectively, the "Covenantors") has entered into a deed of non-competition ("Non-competition Deed") in favor of the Company (for itself and as trustee for its subsidiaries), pursuant to which each of the Covenantors irrevocably and unconditionally undertakes and covenants with the Company for itself and as trustee for the benefit of its subsidiaries from time to time that with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and she/it, individually or collectively with any other Covenantor(s), is, directly or indirectly, interested in 30% or more of the Shares in issue, or is otherwise regarded as a controlling shareholder (as defined under the Listing Rules from time to time) of the Company, she/it shall not, and shall procure that none of her/its associates (for the purpose of the Non-competition Deed, shall have the meaning as defined under Rule 1.01 of the Listing Rules but excluding the Group) shall:

(a) directly or indirectly whether as principal or agent or through any person, firm, company or organisation (other than through the Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business directly or indirectly in competition with or likely to be in competition with the existing business activity and any business activities undertaken by the Group from time to time (the "Restricted Business") except for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong;

(b) take any direct or indirect action which constitutes an interference with or a disruption to the Restricted Business including, but not limited to, the solicitation of, interference with or enticing away the Group's customers, suppliers, distributors, management, technical staff or employees; or

(c) exploit her/its knowledge or information obtained from the Group to compete, directly or indirectly, with the Restricted Business.

In addition, each of the Covenantors irrevocably and unconditionally undertakes and covenants that if any business opportunity relating to any of the products and/or services of the Group or the Restricted Business (the "Business Opportunity") is made available to her/it or to any company or entity (other than members of the Group) in which a Covenantor is, or with any other Covenantors together are, directly or indirectly interested so as to exercise more than 50% of the voting power at general meetings, or to control the composition of a majority of the board of its directors or its decision making body (a "Controlled Company"), she/it shall direct or procure the relevant Controlled Company to direct such Business Opportunity to the Company together with such required information to enable the Company to evaluate the merits of the Business Opportunity. The relevant Covenantor shall provide, or procure the relevant Controlled Company to provide, the Company or the relevant member of the Group with all such assistance to secure the Business Opportunity as the Company or the relevant member of the Group may reasonably require.

Each of the Covenantors also irrevocably and unconditionally undertakes that she/it shall not, and shall procure that none of her/its Controlled Companies shall, pursue the Business Opportunity unless the Company decides not to pursue such Business Opportunity. Any decision of the Company as to whether to pursue such Business Opportunity shall have to be approved by the independent non-executive Directors. The Group shall not be required to pay any fees to any of the Covenantors and/or the relevant Controlled Companies in relation to the direction of such Business Opportunity.

Each of the Covenantors also represents and warrants that as at the date of the Non-competition Deed, other than her/its interests in the Group, neither she/it nor any Controlled Companies is carrying on or engaging in, directly or indirectly, any business that competes or may compete with the existing business of the Group.

Each of the Covenantors further irrevocably and unconditionally undertakes that she/it shall:

(i) provide to the Company all information necessary for the enforcement of the undertakings or covenants in the Non-competition Deed;

(ii) provide an annual confirmation to the Company confirming that she/it or her/its associates have not breached the terms of the undertakings contained in the Non-competition Deed;

(iii) provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the Non-competition Deed;

(iv) make declaration(s) on compliance with the Non-competition Deed in accordance with the requirements under Appendix 14 (Code of Corporate Governance) and Appendix 23 (Corporate Governance Report) of the Listing Rules;

(v) abstain from voting at any general meeting of the Company if there is any actual or potential conflict of interests; and

(vi) (in the case of Mrs. Ho only) together with other conflicting Directors (if any), abstain from voting and not be counted as quorum of any meetings of the Board for consideration and approval of any matters referred to in the Non-competition Deed which have or may give rise to actual or potential conflict of interests.

The independent non-executive Directors will review, at least on an annual basis, the compliance with the Non-competition Deed by the Covenantors and the Controlled Companies, the options, pre-emptive rights or first rights of refusal (if any) provided by the Covenantors and the Controlled Companies on their existing or future competing businesses. As and when appropriate, the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings (for example, the exercise of options or first rights of refusal) either through the annual report, or by way of announcements to the public.

The Non-competition Deed is conditional on:

(a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all the Shares in issue and the new Shares to be issued under the Offering; and

(b) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by WAG Worldsec for itself and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise;

and if any of such conditions is not fulfilled on or before the Listing Date, the Non-competition Deed shall become null and void and each party shall pay its own costs and expenses in connection with the preparation, negotiation and settlement of the Non-competition Deed and no party shall have any liability to the other party to the Non-competition Deed.

The Non-competition Deed will cease to have effect on a Covenantor on the earliest of the date on which (i) such Covenantor, individually or collectively with any other Covenantor(s) ceases to be interested, directly or indirectly, in 30% or more of the Shares in issue, or otherwise ceases to be regarded as a controlling shareholder (as that term is defined under the Listing Rules from time to time) of the Company, or (ii) the Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, the Group believe that it is capable of carrying on its business independently from the Controlling Shareholders and their respective associates upon completion of the Offering.

Management Independence

The Group has its own management team with substantial experience and expertise in the industry of design, development and manufacture of video graphics cards, independent from the Controlling Shareholders or their respective associates.

The principal business of each of Classic Venture and Perfect Choice is investment holding and Mrs. Ho Wong Mary Mee-Tak does not have any other business or investment which is competing with the Group's business.

The Directors are satisfied that the Group can manage its business independently of the Controlling Shareholders and their respective associates particularly with respect to the following factors:

(a) Board structure

The Board comprises ten Directors, among them three are independent non-executive Directors who have extensive experience in different areas or professions and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

The Directors believe that the presence of Directors from different background provides a balance of opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles and the laws, and no single Director is supposed to have any decision-making unless authorised by the Board.

(b) Disclosure of interest

According to the Articles, if any Director is in any way, directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company ("Interested Director"), he will declare the nature of his interest to the Board at his earliest convenience.

In addition, such Interested Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving such contract or arrangement or other proposal in which he or any of his associates is to his knowledge materially interested except in certain circumstances as set out in the Articles as summarised in Appendix IV to this prospectus.

However, as a matter of good corporate governance practice, an Interested Director shall abstain from any Board meeting, or the relevant part of the meeting, at which matter(s) in which he has a material interest is (are) discussed, unless he is specifically requested to attend or to remain in the meeting by the Directors who have no interest in such matter(s).

(c) Participation in Board meeting and voting therein

According to the Articles, each Director is entitled to one vote in meetings of the Board and a simple majority is required to approve any business considered therein.

(d) Participation in general meeting and voting therein

The Articles do not impose any restriction on Shareholders to attend general meetings of the Company nor to vote on any resolution proposed therein; however, where the Company has knowledge that any Shareholder, under the Listing Rules, is required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Any transaction between us and the Controlling Shareholders shall be governed by Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval.

Classic Venture and Perfect Choice, as Shareholders, have the right to attend any general meeting of the Company through its authorised representative. However, they shall not vote on any resolution proposed at a general meeting in approving any contract or arrangement or other proposal in which they or Mrs. Ho Wong Mary Mee-Tak has any material interest when independent Shareholders' approval is required under Chapter 14A of the Listing Rules.

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in the Company after the Listing, the Board has full rights to make all decisions on, and to carry out, the Group's business operations independently. Although Mrs. Ho Wong Mary Mee-Tak, being one of the Controlling Shareholders of the Company, is a non-executive Director, the Company has its own management team, of which most members are independent of the Controlling Shareholders, have served the Company or its subsidiaries for a substantial period of time and have substantial experience in the industry in which the Company is engaged to implement the Group's policies and strategies.

The Group operates independently from the Controlling Shareholders and their respective associates as (a) the Group has established its business independent of that of the Controlling Shareholders; and (b) the business nature of each of the Controlling Shareholders is distinct from the nature of the Group's business.

The Group has registered or obtained licenses for trademarks, which are relevant to the operation, particulars of which are set out under the section headed "4. Intellectual Property of the Group" in Appendix V to this prospectus.

No services, premises and facilities are or will be provided to the Group by the Controlling Shareholders and/or their associates.

Having considered the above, the Directors are satisfied that the Group's business is delineated from the business or investment of the Controlling Shareholders and there is no competition between the parties. As such, the Directors and the Sponsor are satisfied that the Group can operate independently of the Controlling Shareholders and their respective associates.

Financial Independence

The Group has its own accounting and finance department and independent financial system and make financial decisions according to the Group's own business need. The Directors confirm that as at the Latest Practicable Date, the Group was not indebted to any of the Controlling Shareholders.

The Directors confirm that, upon the Listing, the Group is capable of obtaining financing from external sources and there will be no financial dependence on the Controlling Shareholders or any of their respective associates.

EXEMPT CONTINUING CONNECTED TRANSACTION

The Group has entered into the following transactions which are expected to continue after the Listing and which will constitute exempt continuing connected transactions of the Group under the Listing Rules after the Listing that are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tenancy agreements entered into between the Group and its connected persons

The Group has entered into 3 tenancy agreements as tenant (collectively, the "**Tenancy Agreements**") with various connected persons, the particulars of which are set out below:

Date of the Tenancy Agreement	Landlord	Tenant	Usage	Term	Annual rental (HK$)	Property
19 March 2011	Mr. Lee Wing Chung *(Note 1)*	Manli Group	Commercial	From 1 May 2011 to 30 April 2013	115,200	Unit 1601, 16/F, Seaview Centre, 139-141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
19 March 2011	Mr. Man Wai Hung *(Note 2)*	Manli Group	Commercial	From 1 May 2011 to 30 April 2013	115,200	Unit 1602, 16/F, Seaview Centre, 139-141 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong
10 May 2010	Joinrich (HK) Investment Limited *(Note 3)*	ASK Group	Industrial	From 1 June 2010 to 31 May 2012	600,000	Units A & B, 21/F, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong

Notes:

1. Mr. Lee Wing Chung is a director of Manli Group and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.

2. Mr. Man Wai Hung is a director of Manli Group and an executive Director and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.

3. Joinrich (HK) Investment Limited is a wholly-owned Company of Mr. Ho Nai Nap, an executive Director of the Company and will become a connected person of the Company under the Listing Rules once the Shares are listed on the Stock Exchange.

The total amount of rental paid by the Group in respect of the lease of the above premises for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were HK$470,000, HK$768,000, HK$768,000 and HK$394,000, respectively.

According to a rental appraisal report issued by an independent qualified valuer, Jones Lang LaSalle Sallmanns Limited, the rents payable under the Tenancy Agreements are fair and reasonable and consistent with the current market rents, and are on normal commercial terms for similar premises in similar location.

Since the annual rental payable by the Group pursuant to each of the Tenancy Agreements is less than HK$1 million, the transactions contemplated under the Tenancy Agreements are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.33 of the Listing Rules.

Provision of services by NALA Sales to Zotac Nevada relating to sales, promotion and distribution of products of Zotac Nevada

NALA Sales, has since 2008 been providing services relating to the sales, promotion and distribution of products in the United States to Zotac Nevada (the "**Sales Agent Services**"). Since NALA Sales was an indirect non-wholly owned subsidiary of PC Partner Holdings prior to 11 January 2011, the provision of the Sales Agent Services was an intra-group transaction and no service fees were charged by NALA Sales for such arrangement. Zotac Nevada had reimbursed NALA Sales of the expenses actually incurred by NALA Sales during the course of provision of the Sales Agent Services. The amounts of the sales expenses referred to above for the three years ended 31 December 2010 were US$1,087,740, US$1,585,000 and US$2,659,143 respectively.

On 11 January 2011, NALA Sales and Zotac Nevada entered into a sales agent and services agreement ("**Sales Agent Agreement**") pursuant to which NALA Sales agreed to act as non-exclusive sales agent for Zotac Nevada within the United States and to provide the Sales Agent Services to Zotac Nevada for an initial term from 11 January 2011 to 31 December 2013 subject to automatic renewal for successive three year terms unless terminated by not less than 6 months written notice prior to the expiration of the then current term. Pursuant to the Sales Agent Agreement, Zotac Nevada shall pay to NALA Sales an annual service fee, the amount of which shall be calculated with reference to the after-tax net earnings of Zotac Nevada for the relevant financial year ("**ZOTAC Net Profits**") in the following manner:

(1) 40% of the ZOTAC Net Profits between US$0 and US$2,000,000, if any; plus

(2) 35% of the ZOTAC Net Profits between US$2,000,000 and US$4,000,000, if any; plus

(3) 30% of the ZOTAC Net Profits between US$4,000,000 and US$6,000,000, if any; plus

(4) 25% of the ZOTAC Net Profits between US$6,000,000 and US$8,000,000, if any; plus

(5) 20% of the ZOTAC Net Profits in excess of US$8,000,000, if any,

provided that, with respect to each of the annual service fee payable for the first four years, US$620,000 shall be subtracted from each such calculation.

Pursuant to the Sales Agent Agreement, Zotac Nevada will also reimburse NALA Sales of the expenses actually incurred by NALA Sales during the course of provision of the Sales Agent Services.

Zotac Nevada has been operating at a loss during the three years ended 31 December 2010. Accordingly, no service fees would have been payable to NALA Sales for such periods had the Sales Agent Agreement been in place at the beginning of such periods.

It is expected that the service fees and expenses reimbursement payable by Zotac Nevada to NALA Sales for the year ending 31 December 2011 and the one month ending 31 January 2012 would not exceed US$3.3 million and US$300,000 respectively (the "**ZOTAC Cap Amounts**"). The ZOTAC Cap Amounts were determined based on the estimated

ZOTAC Net Profits and the estimated expenses to be reimbursed to NALA Sales in connection with the provision of the Sales Agent Services for such period with reference to historical figures.

As NALA Sales has been providing the Sales Agent Services to Zotac Nevada since 2008, it is familiar with the features and functions of Zotac Nevada's products and also has knowledge of the needs and requirements of existing and potential customers of Zotac Nevada. As such, the Directors considered that continuing to engage NALA Sales to provide the Sales Agent Services to Zotac Nevada is both administrative and cost efficient and can ensure the continuous smooth operation of Zotac Nevada since Zotac Nevada will not need to incur additional administrative time and costs to build up its own experienced sales team to replace NALA Sales in performing the Sales Agent Services.

NALA Sales was previously owned as to 40% by Mr. Sean Tang and 60% by PC Partner International and Zotac Nevada was previously owned as to 40% by Mr. Sean Tang and 60% by PC Partner International. Pursuant to the Reorganisation, NALA Sales became wholly-owned by Mr. Sean Tang on 11 January 2011, Zotac Nevada became wholly-owned by PC Partner International on 11 January 2011 and Mr. Sean Tang resigned as a director of Zotac Nevada on 11 January 2011. As NALA Sales is a company wholly-owned by Mr. Sean Tang who was a director of the Company's subsidiary Zotac Nevada within the preceding 12 months from the Listing Date, it will become a connected person of the Company within the meaning of the Listing Rules upon Listing, and the transactions contemplated under the Sales Agent Agreement will constitute continuing connected transactions for the Company under the Listing Rules during the period commencing from the Listing Date to 10 January 2012, being the date falling 12 months after the date of resignation of Mr. Sean Tang from his directorship in Zotac Nevada (the "**Relevant Period**"). As from 11 January 2012, NALA Sales will cease to be a connected person of the Company and the transactions contemplated under the Sales Agent Agreement will no longer be continuing connected transactions of the Company under the Listing Rules.

The Directors (including the independent non-executive Directors) considered that the transactions contemplated under the Sales Agent Agreement was entered into, and will continue to be entered into, in the ordinary and usual course of business of the Group, on arm's length basis and are on normal commercial terms, and both the terms of the Sales Agent Agreement and the ZOTAC Cap Amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

As the relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of Zotac Nevada's total assets, revenue and net profits before tax and extraordinary items and the consideration ratio calculated in accordance with Rule

14.07 of the Listing Rules in respect of the ZOTAC Cap Amounts are all less than 10% and the transaction is a connected transaction only because it involves a person who is a connected person of the Company by virtue of its relationship with the Company's subsidiary, the transactions contemplated under the Sales Agent Agreement are exempt from the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules pursuant to Rules 14A.31(9) and 14A.33(5) of the Listing Rules. In the event that the service fees and reimbursement paid by Zotac Nevada to NALA Sales exceed the ZOTAC Cap Amounts during the Relevant Period, the Company shall re-comply with the relevant reporting, annual review, announcement or independent shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules as appropriate.

Confirmation from Sponsor

The Sponsor is of the view that the Sales Agent Agreement and the transactions contemplated under the Sales Agent Agreement were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and both the terms of the Sales Agent Agreement and the ZOTAC Cap Amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

DIRECTORS

The Board comprises five executive Directors, two non-executive Directors, three independent non-executive Directors. The Group has entered into a service agreement with each of the executive Directors and a letter of appointment with each of the non-executive Directors and independent non-executive Directors.

The following table sets out certain information relating to our Directors:

Name	Age	Position	Date of Appointment as Director
Mr. Wong Shik Ho Tony	52	Chief Executive Officer Executive Director *(Responsible for the overall strategic management and corporate development of the Group)*	1 April 2010
Mr. Wong Fong Pak	62	Executive Vice President Executive Director *(Responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business)*	1 April 2010
Mr. Leung Wah Kan	52	Chief Operation Officer Executive Director *(Responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group)*	1 April 2010
Mr. Ho Nai Nap	56	Executive Director *(General manager and managing director of ASK Group)*	24 January 2011

Name	Age	Position	Date of Appointment as Director
Mr. Man Wai Hung	46	Executive Director *(Managing director of Manli Group)*	24 January 2011
Mrs. Ho Wong Mary Mee-Tak	62	Non-executive Director	24 January 2011
Mr. Chiu Wing Yui	47	Non-executive Director	24 January 2011
Mr. Ip Shing Hing	56	Independent non-executive Director	24 January 2011
Mr. Lai Kin Jerome	62	Independent non-executive Director	24 January 2011
Mr. Cheung Ying Sheung	58	Independent non-executive Director	24 January 2011

Executive Directors

Mr. WONG Shik Ho Tony (王錫豪), aged 52, was appointed as *Executive Director and Chief Executive Officer* on 1 April 2010 and was a co-founder of the Group in May 1997. Mr. Wong is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's video graphics cards, motherboards and notebooks businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. Wong was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea in 1982, South Wales, UK. Mr. Wong was previously a director of TDEK, a company incorporated in Bermuda, whose principal business was the holding of 900,000 shares in PC Partner Holdings. After the distribution by TDEK of its 900,000 shares in PC Partner Holdings to its shareholders pursuant to the Reorganisation, TDEK no longer has any assets or serve any purpose and accordingly, the shareholders submitted relevant documentation to the Registrar of Companies of Bermuda for the Company to be struck off the Register of Companies of Bermuda. TDEK was dissolved in March 2011. No current and past directorship in any listed company was held in the last three years. Mr. Wong is not related to Mrs. HO WONG Mary Mee-Tak.

Mr. WONG Fong Pak (王芳柏), aged 62, appointed as *Executive Director and Executive Vice President* on 1 April 2010 and a co-founder of the Group in May 1997. Mr. Wong is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. Wong worked as purchasing manager at VTech Computers Limited. No current and past directorship in any listed company was held in the last three years.

Mr. LEUNG Wah Kan (梁華根), aged 52, appointed as *Executive Director and Chief Operation Officer,* on 1 April 2010 and a co-founder of the Group in May 1997. Mr. Leung is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. Leung was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong. No current and past directorship in any listed company was held in the last three years.

Mr. HO Nai Nap (何乃立), aged 56, appointed as *Executive Director* on 24 January 2011, is the founder of ASK Technology in 1989. Mr. Ho is now the general manager and managing director of ASK Group. He is responsible for the general management, including product, sales, profit and loss of ASK Group. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. Ho worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd. Mr. Ho was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, United States. No current and past directorship in any listed company was held in the last three years.

Mr. MAN Wai Hung (文偉洪), aged 46, appointed as *Executive Director* on 24 January 2011, is the co-founder of Manli Technology in 1996. Since 2008, Mr. Man has been the managing director of Manli Group and is in charge of functions of sales and marketing, and business development. He also sits on the boards of various companies within the Group. He was conferred a Bachelor of Arts degree in 1988 by the University of Hong Kong. No current and past directorship in any listed company was held in the last three years. Mr. Man was previously a director of Vandar Global Limited, a wholly-owned subsidiary of Manli Group. For the reason that Manli Group would directly sell products to third party customers in Taiwan, a shareholder's resolution was made on 2 September 2010 by Manli Group to wind up Vandar Global Limited, which was dissolved in June 2011.

Non-executive Directors

Mrs. HO WONG Mary Mee-Tak (何黃美德), aged 62, appointed as *Non-executive Director* on 24 January 2011. Mrs. Ho was the wife of the late Mr. Ho Hin Wun Bosco, a co-founder of the Group. She became a non-executive director of PC Partner Holdings (now a wholly owned subsidiary of the Company) in November 2005. Mrs. Ho also sits on the boards of other companies within the Group. Mrs. Ho completed a three-year program of study in interior design at Ryerson Polytechnical Institute in 1972. No current and past directorship in any listed company was held in the last three years. Mrs. Ho is not related to Mr. WONG Shik Ho Tony.

Mr. CHIU Wing Yui (招永銳), aged 47, has been an alternate director to Mrs. Ho Wong Mary Mee-Tak at PC Partner Holdings since 3 November 2005. Mr. Chiu was appointed as a *non-executive Director* on 24 January 2011. He is also an alternate director of Mrs. Ho Wong Mary Mee-Tak for various companies within the Group. Mr. Chiu was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales. After graduation, Mr. Chiu worked for B.S.C Building Materials Supply Company Limited as a system support supervisor. Mr. Chiu was also conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner. No current and past directorship in any listed company was held in the last three years.

Independent non-executive Directors

Mr. IP Shing Hing J.P. (葉成慶), aged 56, was appointed as *Independent non-executive Director* on 24 January 2011, Mr. Ip was conferred a Bachelor of Laws (Hons.) Degree in 1978 by the University of Hong Kong and a Master of Arts degree in Arbitration and Alternative dispute Resolution in 2005 by the City University of Hong Kong. He is a solicitor, notary public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of the Peace, and has been a practicing solicitor in Hong Kong for more than 20 years. He is currently serving as an independent non-executive director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on the Stock Exchange. He was an independent non-executive director of Quam Limited, a company listed on the Stock Exchange during the period from 18 September 2006 to 11 September 2008. He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002-2004), council member of the Association of China-Appointed Attesting Officers Limited, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), member of Basic Law Promotion Steering Committee, director of Ocean Park Corporation since 10 March 2006, member of Hong Kong Housing Authority and chairman of Appeal Board (Amusement Game Centres) since 30 May 2010.

Mr. LAI Kin Jerome (黎健), aged 62, was appointed as *Independent non-executive Director* on 24 January 2011. Mr. Lai graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. Lai has over 30 years of experience in accounting and management. Mr. Lai is currently a non-executive director of SPG Land (Holdings) Limited, a company listed on the Stock Exchange. He also served as chief financial officer and executive director at SPG Land (Holdings) Limited between 2006 and 2008. Mr. Lai was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and executive director of the finance and management services division of the Stock Exchange between 1997 and 2000.

Mr. CHEUNG Ying Sheung (張英相), aged 58, was appointed as *Independent non-executive Director* on 24 January 2011. Mr. Cheung graduated from Imperial College of Science and Technology, University of London, UK with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in the 1978. He joined the University of Hong Kong (the "University") in 1980 and is currently Professor in the Department of Electrical and Electronic Engineering and concurrently the Director of Technology Transfer of the University. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000.

Mr. Cheung was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission.

Mr. Cheung is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers ("IEEE"). He is also a director of the IEEE Foundation.

Each of the Directors confirms with respect to him/her that under Rule 8.10(2) of the Listing Rules, he/she is not interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business. Save as disclosed in this section headed "5. Further information about Directors, senior management and staff" and in Appendix V to this prospectus, each of the Directors has confirmed that there was no other matter with respect to his/her appointment that needs to be brought to the attention of the Shareholders and there was no other information relating to him/her that is required to be disclosed pursuant to the requirements under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

COMPANY SECRETARY AND SENIOR MANAGEMENT

Ms. LEUNG Sau Fong (梁秀芳), is an associate member of The Hong Kong Institute of Chartered Secretaries. Ms. Leung holds an honours degree in law from the University of London, UK and a diploma in Chinese professional laws from the Chinese University of Political Science and Law, PRC.

Sales and marketing

Mr. KWONG Kwok Kuen (鄺國權), aged 50, is *Director of Sales – EMEAI Region* responsible for the Group's sales and marketing of motherboards, video graphics cards and consumer electronic products in European regions. Mr. Kwong has extensive experience in electronics industry. Prior to joining the Group in January 2005, he served as executive director of Silver Star Technology Limited and as general manager of the Hong Kong office of Norsk Data International Limited. Mr. Kwong graduated with a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University.

Mr. KONG Chun Kwok, Bruce (江振國), aged 51, is *Director of Sales – APAC and NALA Regions* responsible for the Group's channel segment sales and marketing of ZOTAC motherboards and video graphics cards in APAC and NALA regions. Mr. Kong holds a Higher Certificate from Hong Kong Polytechnic University. He joined the Group in April 2005.

Mr. CHOW Hon Fat (周康發), aged 44, is *Director of Program Management – Graphics* responsible for account servicing and program management of the Group's video graphics cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. Chow was a production and material control manager in VTech Computers Limited.

Mr. WONG Man Fai (黃文輝), aged 49, is *Director of Product Department* responsible for product marketing of the ZOTAC video graphics cards of the Group. Mr. Wong has over 20 years' experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University and a Diploma in Management Studies from Hong Kong Polytechnic University and Hong Kong Management Association. He joined the Group in July 2006.

Operations

Mr. LAI Shui Wah (賴瑞華), aged 58, is *General Manager* responsible for the Group's Tian Pei manufacturing operations in China. He joined the Group in September 1997. Mr. Lai has more than 20 years' experience in the electronics and computer industry. Prior to joining the Group in 1997, he has served in VTech Computers Limited, Fairchild Semiconductor (Hong Kong) Limited, Digital Equipment International Limited and Ampex Ferrotec Limited. Mr. Lai holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic University.

Mr. CHAN Kei Sang, Norman (陳棋生), aged 60, is *General Manager* of our operation in China for EMS division. Mr. Chan is responsible for the overall manufacturing operation of the EMS business. Mr. Chan has more than 25 years' experience in the electronics and computer industry. Prior to joining the Group in July 2004, Mr. Chan worked at corporations including Wong's Electronics Company Limited, Everex Systems Inc. and National Semiconductor Hong Kong Limited. Mr. Chan holds a Higher Diploma in Electronic Engineering from the Hong Kong Technical College (now the Hong Kong Polytechnic University) and a certificate in Industrial Engineering from the University of Hong Kong.

Mr. HUANG Chia Pao (黃嘉寶), aged 46, is *Director of Product of Motherboard Business* of the Group who is responsible for the motherboard business of the Group. Mr. Huang joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit

Computer Corp., DFI San Jose and OCZ Technology Group, Inc. in Taiwan and the US. Mr. Huang holds a Bachelor of Business Administration degree from the National Chung Hsing University in Taiwan.

Corporate services

Mr. WONG Chi Wah (黃志華), aged 52, is *Chief Human Resources and Administration Officer*, responsible for the Group's overall human resources, legal, MIS and general administration functions. Before joining the Group in September 2007, Mr. Wong has worked for corporations including Motorola Semiconductors Hong Kong Limited, Elec & Eltek Company Limited and the Wharf (Holdings) Limited. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Science degree in Engineering Business Management from the University of Warwick in the UK.

Mr. LAU Ka Lai, Gary (劉家禮), aged 41, is *Chief Financial Officer*, responsible for overall financial and accounting matters of the Group. He joined the Group in October 2010. He is a member of American Institute of Certified Public Accountants. Mr. Lau graduated from the University of Windsor, Canada, with a Bachelor of Commerce degree and the University of Western Ontario, Canada, with a Bachelor of Science degree. He also holds a Master of Business Administration and a Master in Business Systems. Prior to joining the Group, he has had over 15 years experiences in financial and accounting management and held management positions for sizable and international companies including Rolex (Hong Kong) Limited, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu.

DIRECTORS' REMUNERATION

The Group reimburses the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to the operations of the Company. The executive Directors are also the employees and receive, in their capacity as employees, compensation in the form of salaries and other allowances and benefits in kind.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the aggregate amount of salaries and other allowances and benefits in kind paid to the Directors was approximately HK$12,262,000, HK$16,758,000, HK$14,651,000 and HK$6,455,000, respectively.

Under the arrangement currently in force, the Company estimates the aggregate remuneration, excluding discretionary bonuses, payable to our Directors for the year ending 31 December 2011 to be approximately HK$13 million.

Further details of the terms of the above service agreements are set out in the section headed "5. Further information about Directors, senior management and staff — 5.3 Directors' service contracts and remuneration — (a) Directors' service contracts" in Appendix V to this prospectus.

AUDIT COMMITTEE

The Company established an audit committee on 21 December 2011 in compliance with Rules 3.21 and 3.22 and the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee will be 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, and Mr. Lai Kin Jerome was appointed as the chairman of the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 21 December 2011 in compliance with the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The remuneration committee comprises four members, namely, Mr. Ip Shing Hing, Mr. Lai Kin Jerome, Mr. Cheung Ying Sheung and Mr. Wong Shik Ho Tony, and Mr. Ip Shing Hing was appointed as the chairman of the remuneration committee. The remuneration committee considers and recommends to the Board the remuneration and other benefits paid to the Directors. The remuneration of the Directors is subject to regular monitoring by the remuneration committee to ensure that the levels of their remuneration and compensation are appropriate.

NOMINATION COMMITTEE

The Company established a nomination committee on 21 December 2011 in compliance with the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules. The nomination committee comprises four members, namely, Mr. Ip Shing Hing, Mr. Lai Kin Jerome, Mr. Cheung Ying Sheung and Mr. Wong Shik Ho Tony, and Mr. Ip Shing Hing was appointed as the chairman of the nomination committee. The nomination committee considers and recommends to the Board on the appointment of executive Directors and senior management staff.

COMPLIANCE ADVISER

It is expected that the Company will appoint WAG Worldsec as its compliance adviser upon the Listing in compliance with Rule 3A.19 of the Listing Rules by entering into a compliance adviser's agreement with WAG Worldsec, the expected material terms of which are summarized as follows:

(a) the Company will appoint WAG Worldsec as compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date of despatch of the annual report of the Company containing its financial results for the Company's first full financial year commencing after the Listing Date;

(b) WAG Worldsec shall provide the Company with services, including guidance and advice as to compliance with the Listing Rules and applicable laws, rules, codes and guidelines;

(c) the Company must consult with and, seek advice from WAG Worldsec on a timely basis in the following circumstances:

   i. before the publication of any regulatory announcement, circular or financial report;

   ii. where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

   iii. where the Company proposes to use the proceeds of the Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus;

   iv. where the Stock Exchange or the SFC or any other regulatory authority makes an inquiry of the Group in relation to matters, including but not limited to unusual movement in prices or trading volume of its listed securities and disclosure of price sensitive information;

(d) the Company will indemnify WAG Worldsec for certain actions and claims against it and losses incurred by it which relate to or arise, directly or indirectly, by reason of the appointment referred to in the agreement.

EMPLOYEES

Overview

As at 31 October 2011, the Group had 5,694 full-time employees. An analysis by function as at 31 October 2011 is as follows:

	Number of Employees
Production	3,249
Engineering	342
Quality control	1,121
Research and development	177
Management and administration	362
Sales and marketing	76
Materials and logistics	367
Total	5,694

Relationship with employees

The Directors consider that we maintain good working relationships with its employees. We have not experienced any strikes, work stoppages or material labour disputes which affected its operations.

In order to enhance the morale and productivity of the employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance-related salary may also be awarded to employees based on internal performance evaluation.

Staff benefits

In Hong Kong, the Group operate a defined contribution retirement benefits scheme ("**MPF Scheme**") under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for all of the Group's employees in Hong Kong who joined us after the commencement of this ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the Group's profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The Group's contributions as employer vest fully with the employees when the Group contribute to the scheme in accordance with the rules of the MPF Scheme. The Group contribute the lower of HK$1,000 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by employees.

The Group's PRC subsidiaries participate in the relevant Social Insurance schemes and housing provident fund scheme. For details, please refer to the section headed "Regulations — Laws, regulations and regulative documents related to labour, Social Insurance and housing provident fund" in this prospectus.

Pre-IPO Share Option Scheme

The Directors (including non-executive Directors), employees and consultants to the Group are entitled to participate in the Pre-IPO Share Option Scheme. The principal terms of the Pre-IPO Share Option Scheme are summarized in the paragraph headed "Summary of the terms of the Pre-IPO Share Option Scheme" in the section headed "6. Pre-IPO Share Option Scheme" in Appendix V to this prospectus.

AUTHORISED SHARE CAPITAL:

		HK$
1,000,000,000	Shares	100,000,000

Assuming the Over-allotment Option is not exercised, the share capital of the Company immediately following the Public Offering will be as follows:

SHARES ISSUED OR TO BE ISSUED, FULLY PAID OR CREDITED AS FULLY PAID:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	Approximate percentage of issued Share capital
		HK$	
330,518,668	Shares in issue*	33,051,866.8	79.16%
87,000,000	Shares to be issued under the Offering	8,700,000.0	20.84%
417,518,668	Total	41,751,866.8	100%

* 18,000,000 shares of which will be the Sale Shares, all of which will be offered for sale by the selling shareholder under the Placing.

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately following the Public Offering will be as follows:

SHARES ISSUED OR TO BE ISSUED, FULLY PAID OR CREDITED AS FULLY PAID:

Number of Shares	Description of Shares	Aggregate nominal value of Shares	Approximate percentage of issued Share capital
		HK$	
330,518,668	Shares in issue*	33,051,866.8	76.28%
87,000,000	Shares to be issued under the Offering	8,700,000.0	20.08%
15,750,000	Shares to be issued upon exercise of the Over-allotment Option in full in respect of the Placing	1,575,000.0	3.64%
433,268,668	Total	43,326,866.8	100%

* 18,000,000 Shares of which will be the Sale Shares, all of which will be offered for sale by the Selling Shareholder under the Placing.

Assumptions

The above tables assumes that the Public Offering has become unconditional and the issue of Shares pursuant to the Public Offering is made. The table takes no account of (i) any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme or (ii) any Shares which may be allotted and issued, or repurchased, as the case may be, under the general mandate to issue new shares or the share repurchase mandate (see below).

Ranking

The Offer Shares, including the Shares issuable pursuant to the Over-allotment Option, will rank pari passu in all aspects with all other Shares in issue and to be issued as mentioned in this prospectus, and in particular, will rank equally for all dividends and other distributions declared, made or paid after the date of this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

The Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

(i) 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and

(ii) the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate referred to in the paragraph headed "General mandate to repurchase Shares" below.

The Directors may, in addition to the Shares which they are authorised to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, or any scrip dividend shares or similar arrangements providing for allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or upon the exercise of any options which may be granted under the Pre-IPO Share Option Scheme or other similar arrangement.

The mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- at the expiration of the period within which the Company is required by any applicable laws of the Cayman Islands or the Articles to hold its next annual general meeting; and
- when varied or revoked or renewed by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "1. Further information about the Company and its subsidiaries — 1.3 Written resolutions of all the Shareholders passed on 14 December 2011 and 21 December 2011" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with the aggregate nominal value of not more than 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "2. Repurchase by the Company of its own securities" in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of the Company's next annual general meeting;
- at the expiration of the period within which the Company is required by applicable laws of the Cayman Islands or the Articles to hold its next annual general meeting; and
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further information about this general mandate, please refer to the section headed "1. Further information about the Company and its subsidiaries — 1.3 Written resolutions of all the Shareholders passed on 14 December 2011 and 21 December 2011" in Appendix V to this prospectus.

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme, so far as is known to any Director or the chief executive of the Company, the persons, other than a Director or chief executive of the Company who will have interests or short positions in the Shares, underlying Shares or debentures of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Shares are listed in Hong Kong or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group are as follows:

Interests in the Company

Name	Long/Short position	Type of interest	Number of Shares	Approximate percentage of shareholding in the Company
Perfect Choice	Long position	Beneficial owner	77,500,000	18.56% *(Note)*
Classic Venture	Long position	Beneficial owner	54,850,000	13.14% *(Note)*
Daniel Kearney	Long position	Beneficial owner	22,475,000	5.38%

Note: As the entire issued share capital of both Classic Venture and Perfect Choice are owned by Mrs. Ho Wong Mary Mee-Tak, Mrs. Ho Wong Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture and Perfect Choice under the SFO.

Interests in other members of the Group

Name of person	Name of member of the Group	Approximate percentage of interest
ACL Semiconductors Inc.	iSmart Global Technology Limited	25%

Save as disclosed herein, so far as the Directors are aware, immediately following completion of the Offering, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option

Scheme, there are no other persons who will have interests or short positions in the Shares, underlying Shares or debentures of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once the Shares are listed or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

NON-DISPOSAL UNDERTAKINGS

Each of the Controlling Shareholders have undertaken to the Stock Exchange and the Company that save pursuant to the Placing or as permitted under the Listing Rules, she/it shall not:

(i) during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the "**First Period**"), whether directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which she/it is shown by this prospectus to be the beneficial owner; and

(ii) during the period of six months commencing from the expiry of the First Period, whether directly or indirectly, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would, whether on her/its own or together with others, cease to be regarded as a Controlling Shareholder.

Each of the Controlling Shareholders have also undertaken to the Stock Exchange and the Company respectively that, for the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date, she/it shall:

(i) when she/it pledges or charges any of the securities of the Company beneficially owned by her/it in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform the Company in writing of such indications.

The Company will inform the Stock Exchange as soon as it has been informed by any of the Controlling Shareholders of the matters above (if any) and disclose such matters by way of announcement in accordance with the requirements of the Listing Rules.

You should read the following discussion and analysis of the financial condition and results of operations together with the combined financial statements as at and for each of the years ended 31 December 2008, 2009 and 2010, and in the six months ended 30 June 2011 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus. The accountants' report has been prepared in accordance with HKFRS. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" in this prospectus.

OVERVIEW

The Group is an electronics manufacturer of video graphics cards for desktop PCs. The Group is principally engaged in the design, development and manufacture of video graphics cards. Video graphics cards are the core product and revenue driver of the Group during the Track Record Period. The Group also provides EMS as well as manufactures other PC related products.

The Group manufactures video graphics cards for AMD on OEM basis, for Sapphire on both OEM and ODM bases and for other computer products manufacturers, such as Hon Hai Precision on both OEM and ODM bases. In addition, the Group also manufactures or sells video graphics cards under its own ZOTAC, Inno3D and Manli brands.

The Group provides EMS to some of the world's brand owners, among which, the Group manufactures computer base units of POS and ATM systems for a POS and ATM provider and flash memory modules for a flash memory modules provider. The Group also manufactures Internet Media Tablets and other electronic products for its customers.

The Group manufactures and sells other PC related products such as mini-PCs and motherboards under its own ZOTAC and/or Manli brands as well as deriving revenue from trading of other PC related products and components.

The Directors believe that the success of the Group's business is attributable to the high quality products manufactured by the Group, which are testimonial to the product design, product development and engineering skills possessed by the Group's research and development team. The Group's relationships with NVIDIA and AMD, the two dominating suppliers of discrete GPUs in the world, have enabled the Group to develop high performance and cost-competitive products and solutions to serve its customers.

The Group is headquartered in Hong Kong, and operates two factories in Dongguan, the PRC, with SMT, COB and A&T production lines installed with advanced machinery and equipment. More details of how the Group manages the production are set forth in the section headed "Business — Production Process" of this prospectus. As at 31 October 2011, the Group employed 5,339 staff in Dongguan.

Recent economic conditions

The Group's sales in the European markets has shown a declining trend from 1 July 2011 to 31 October 2011, based on the Group's unaudited management accounts. The cause may be due to the recent economical condition in the European Union countries. On the other hand, the US market continued to show growth in the period from 1 July 2011 to 31 October 2011, based on the Group's unaudited management accounts.

The recent financial uncertainties in the US and the European Union countries, the fluctuation in exchange rates in the money market, the availability of credits in the global lending markets and a general deterioration in economic confidence may increase costs for the Group, which is operating a low margin business and have an adverse impact on the Group's operations and financial performance.

Based on the Group's unaudited management accounts, the Group's monthly average sales revenue derived from the European Union countries from 1 July 2011 to 31 October 2011 experienced a decrease compared to that in the first six months of 2011; while the monthly average sales revenue in the US from 1 July 2011 to 31 October 2011 recorded an increase as compared with that in the first six months of 2011. The Group is selling and distributing products globally. The Group's monthly average sales revenue for the four months ended 31 October 2011 is slightly lower than the monthly average sales revenue in the first six months of 2011, based on the Group's unaudited management accounts. Accordingly, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease in the sales revenue from the European Union countries.

Almost all of the Group's sales are denominated in the US dollar, which is pegged to the Hong Kong dollar, the exchange rate risks between the US dollar and Hong Kong dollar is minimal. Continuous appreciation of the RMB would have adverse impact on the Group's costs of production in the PRC. The increased costs may not be fully passed onto customers through price increases. The Company is working to streamline the operational processes and planned to upgrade the ERP system to increase the operational efficiency and to achieve savings.

The Group has not experienced any reduction in its banking facilities provided. Since Hong Kong is the treasury hub for the Group and the Group has no borrowing in other countries such as the PRC, the US, and the European Union countries. The tightening of credit in the PRC, the US, and the European Union countries would have an indirect impact to the Group since both its customers and suppliers may rely on borrowings from these countries and regions. Corporate failures of suppliers would adversely affect the Group's operations. The Group has alternative supplies of the majority of the materials and components so as to reduce the risk in the event of corporate failures of suppliers. Corporate failures of customers would adversely affect the Group's financial performance. The Group has taken out credit insurance to cover 57%, 49%, 48% and 56% of outstanding trade receivables as at 31 December 2008, 2009, 2010, and 30 June 2011, respectively. The Group is closely monitoring the credit risk and exercising tight credit control to minimise the credit risk which could adversely affect the Company's financial performance.

A general deterioration in economic confidence may also have an adverse impact on the Group's operation and financial performance especially in the peak season of PC Partner (the most important subsidiary of the Group in terms of sales and revenue) in the fourth quarter of 2011. For the years ended 31 December 2009 and 2010, sales in the fourth quarter represented 31% and 32% of total annual sales revenue for the respective years. The general deterioration in economic confidence may have an adverse impact on the traditional peak season of PC Partner in the fourth quarter of 2011, which may in turn have an adverse impact on the operations and financial performance of the Group.

Absence of new GPU launches by AMD would adversely affect the Group's operations and financial performance. For the six months ended 30 June 2010 and 2011, sales revenue and sales volume in respect of AMD and Sapphire in aggregate has declined by 19.6% and 21.8%, respectively. The Group is able to reduce the risk on reliance of one single GPU provider since sales decline in AMD and Sapphire due to lack of new product launch could be offset by increasing the business of its own brands of video graphics cards. For the six months ended 30 June 2011, sales revenue and sales volume in respect the Group's own brands of video graphics cards has increased by approximately 19.2% and 15.1%, respectively over the same period in 2010.

The Group's negative cashflow from operating activities for the six months ended 30 June 2011 was resulted from, firstly, short credit terms offered by new suppliers in respect of the EMS manufacturing of Internet Media Tablets and, secondly, the settlement of import loans for the period. The Directors believe the Group would not move in a way that would adversely affect the Group's working capital requirements and the Group is taking steps to negotiate with the said new suppliers to provide longer credit terms in order to improve its cashflow on the operations.

The Group is managing its cash and capital on the basis of capital efficiency and effective risk management to support the dividend policy and earnings per share growth. The Group seeks to maintain sufficient financial strength to support both the operation's needs and new business development, and being able to satisfy the requirements of the bank covenants for granting its subsidiaries with banking facilities. The Group has set a target on maintaining the gearing ratio at below 100% and has taken steps to optimise the debt to equity structure to enhance the returns to shareholders. The Group retained financial flexibility by maintaining the gearing ratio below 100% and also retained a certain level of head-room in banking facilities to support future business growth. The Group will continue to improve the capital efficiency and earnings to service its indebtedness and maintain sufficient cash on hand as future cash requirement. During the Track Record Period, the Group complied with the said target. Please refer to the section headed "Financial information — Debt to equity ratio" in this prospectus for further information.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 1 April 2010 with limited liability. Upon the completion of the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, the combined financial information of the Group has been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5 ("AG5"), "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants.

The combined financial information has been prepared in accordance with HKFRSs.

The combined financial information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values. The combined financial information is presented in Hong Kong dollars, which is the same as the functional currency of the Company. The principal accounting policies of the Group have been consistently applied throughout the Track Record Period.

FACTORS AFFECTING RESULTS OF OPERATIONS

The Group believes that its financial condition, results of operations and the period to period comparability of its financial results are principally affected by a number of factors, which includes the following:

Acquisition of the Businesses of ASK Technology and Manli Technology

As part of the Group's business strategy to expand its business channels to develop its own branded products, the Group set up two subsidiaries, ASK Group and Manli Group in April 2008, to acquire the businesses of ASK Technology and Manli Technology. As a result of this strategic move, its results of operations starting from April 2008 are directly affected by the performance and profitability of ASK Group and Manli Group.

Other than sales of own branded products, ASK Group and Manli Group also engage in the ODM/OEM contract manufacturing business, which contributed about 29% of their total revenue during the Track Record Period.

As the Group's target customers for its Manli video graphics cards is the mainstream segment, Inno3D video graphics cards is the performance segment, the performance and profitability of ASK Group and Manli Group are influenced by several factors that include: the market demand for these products, which are determined by the prices of these products, the fluctuation in prices of the raw materials required for production, which mainly consist of the fluctuating prices of GPUs and RAM, and the margin between the prices of its products and the cost of procurement of the raw materials.

For the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2011, revenue generated by ASK Group and Manli Group represented 15%, 20%, 14% and 12% the Group's total revenue respectively, which contributed significant portion of the Group's turnover. Therefore, performance of these two subsidiaries have material impact on the overall sales performance of the Group.

Introduction of its ZOTAC Brand

As part of the Group's strategy to expand its business channels into developing, producing and distributing its own branded products, the Group developed and launched the ZOTAC brand in the second quarter of 2007. Other than serving the customers in China and APAC region by the Group's existing network, the Group set up two new subsidiaries: Zotac Nevada, which serves the target market in the NALA region and Zotac Macao, which serves the target markets mainly in EMEAI regions in late 2007 and late 2006. As a result of this strategic move, its results of operations during the Track Record Period were directly affected by the performances and profitability of its ZOTAC products. Likewise, its performance influenced by the market demand of its ZOTAC products, the volatility in prices of the raw materials required for production, which mainly include the fluctuating prices of GPUs and RAM, and the margin between the prices of its products and the cost of procurement of the raw materials. As such, the Group conducts weekly internal meetings to review market prices and inventory levels of RAM to determine the necessary adjustments to prices of ZOTAC finished goods.

For the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2011, revenue from sales of ZOTAC products represented 17%, 23%, 27% and 29% of the Group's total revenue, respectively. The increase in concentration percentage of total revenue from sales of ZOTAC products underlines the increasing importance and influence ZOTAC products have on the overall sales performance of the Group.

Production volume of its products

With the increasing expansion of the Group's new business into selling and distributing of its own branded products, the Group has seen an overall significant increment in total production units of its products, mainly video graphics cards. During the three years ended 31 December 2010, production volumes were increased from approximately 8.9 million units in 2008 to approximately 11.0 million units in 2009, and then to approximately 12.2 million units in 2010. The production volumes were approximately 5.4 million units for the six months ended 30 June 2011.

As a result of increase in production volume and thus improving economies of scale of the Group from 2008 to 2010, the gross profit margin of the Group's core business, namely, the ODM/OEM contract manufacturing business, was increased accordingly.

Investment in Sapphire Global Holdings Limited

During the Track Record Period, Sapphire allotted new shares to its shareholders. As aligned with the Group's strategy to further expand its business channels and focus its resources to the selling and distribution of its own branded products, the Group decided not to pursue the maintenance of the same percentage equity interest in Sapphire. As a result, its equity interest in Sapphire was diluted from 40% in 2007 to 18.18% in January 2008, and further diluted to 4.95% in August 2010.

Dividends from Sapphire contributed to the results of the Group's operations and profitability.

After the dilution of its equity interest and loss of its significant influence in Sapphire in January 2008, the Group's equity interest in Sapphire accounted for as available-for-sale investments. As a result, the Group no longer account for share of associates profits from Sapphire that was previously attainable at the end of each financial year since 2008, and will only enjoy returns from Sapphire upon receipt of dividends.

For the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2011, the Group recorded approximately HK$1.3 million, HK$Nil, HK$31 million and HK$Nil of dividends from Sapphire, respectively.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of the Group's operating results and financial condition are based on the combined financial information, which has been prepared in accordance with HKFRSs. The Group's operating results and financial condition are sensitive to the accounting methods, assumptions and estimates. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of other policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the combined financial information. The significant accounting policies are summarized in note 4 in "Appendix I — Accountants' Report" in this prospectus. The Group believes that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the combined financial statements.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write off or writedown technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

Impairment of available-for-sale investments

The Directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Provision for obsolete inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

Impairment of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgement is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Warranty and returns provisions

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale. The Group also has a policy allowing the customers to return any defected products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns policy in respect of sales made during the Track Record Period. The amount of provision for warranty takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

The Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

The Group mainly derives its revenue from the design, development, manufacture and sales of video graphics cards for PCs. The Group also manufactures video graphics cards and other PC related products for its own brands ZOTAC, Inno3D and Manli. The Group's product range also includes computer base unit of POS and ATM systems, flash memory modules, Internet Media Tablets and other electronics products and PC-related products. Products of the Group are categorised into three principal segments: video graphics cards, EMS and other PC-related products and components.

The following table sets forth the revenue in each of the Group's product segment as a percentage of the total revenue for the period indicated.

	Years ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Video graphics cards	3,598,181	82%	3,920,091	83%	4,339,639	78%	2,039,958	82%	1,920,332	66%
EMS	622,012	14%	430,623	9%	753,944	13%	238,927	10%	677,627	23%
Other PC related products and components	169,123	4%	358,488	8%	491,799	9%	204,804	8%	307,825	11%
Total revenue	**4,389,316**	**100%**	**4,709,202**	**100%**	**5,585,382**	**100%**	**2,483,689**	**100%**	**2,905,784**	**100%**

The overall increase in the Group's revenue in 2009 was primarily due to increase in revenue from sales of video graphics cards, which contributed to nearly all of the Group's increase in revenue. The overall increase in the Group's revenue in 2010 was primarily due to increase in revenue from sales of video graphics cards and EMS, which contributed to approximately 47% and 37% of the Group's total increase in revenue respectively. The overall increase in the Group's revenue in the six months ended 30 June 2011 compared with the six months ended 30 June 2010 was primarily due to increase in revenue from EMS and was partially offset by the decrease in revenue from sales of video graphics cards.

Increase in sales of other PC related products and components during the Track Record Period was mainly due to increase in sales of its own ZOTAC branded products. Increase in sales of PC related products and components for six months ended 30 June 2011 compared to that for the six months ended 30 June 2010 was mainly due to the increase in sales of Zotac brand PC products and sales of components.

Based on the unaudited accounts for the three months ended 30 September 2011, and the audited accounts for the six months ended 30 June 2011 the total sales revenue recorded by the Group increased by approximately 14% when compared with the Group's unaudited total sales revenue for the nine months ended 30 September 2010. There is no adverse change in the sales revenue trend in the three months ended 30 September 2011.

Video graphics cards

The Group manufactures video graphics cards for its customers on an ODM/OEM basis and also manufactures and sells video graphics cards under its own brands (ZOTAC, Inno3D and Manli brands).

The following table sets forth the revenue in these two business segment of video graphics cards as a percentage of the Group's total revenue for the period indicated.

	Years ended 31 December												Six months ended 30 June							
	2008				2009				2010				2010				2011			
	Revenue		Quantities	Average selling price	Revenue		Quantities	Average selling price	Revenue		Quantities	Average selling price	Revenue		Quantities	Average selling price	Revenue		Quantities	Average selling price
	HK$'000	*% of total*	*'000*	*HK$*	*HK$'000*	*% of total*	*'000*	*HK$*	*HK$'000*	*% of total*	*'000*	*HK$*	*HK$'000*	*% of total*	*'000*	*HK$*	*HK$'000*	*% of total*	*'000*	*HK$*
Video graphics cards																				
ODM/OEM contract manufacturing	2,507,491	57%	7,615	329	2,453,802	52%	9,105	270	2,653,702	48%	9,147	290	1,305,653	52%	4,801	272	1,044,714	36%	3,979	263
The Group's own branded products	1,090,690	25%	1,935	564	1,466,289	31%	3,051	481	1,685,937	30%	3,198	527	734,305	30%	1,466	501	875,618	30%	1,689	519
Total	3,598,181	82%	9,550	377	3,920,091	83%	12,156	322	4,339,639	78%	12,345	352	2,039,958	82%	6,267	325	1,920,332	66%	5,668	339

Increase in sales of video graphics cards by 9% in 2009 was the net result of continuous increase in sales of its own ZOTAC, Inno3D and Manli brands, and decrease in sales of other video graphics cards as a result of the financial crisis. Increase in sales of video graphics cards by 11% in 2010 was mainly due to the continuous increase in sales of its own ZOTAC brands, and increase in ODM/OEM contract manufacturing of video graphics cards as a result of recovery of the financial crisis. Decline in sales of video graphics cards by 6% for the six months ended 30 June 2011 compared to the six months ended 30 June 2010 was the net result of decrease in sales of ODM/OEM contract manufacturing, and increase in sales of own brands video graphics cards.

EMS

The Group is also an EMS provider, which manufactures electronic products to its customers. The Group's EMS products include computer base unit of POS and ATM systems, flash memory modules, Internet Media Tablets and other electronics products.

The following table sets forth the revenue in these four business segment of EMS as a percentage of the Group's total revenue for the period indicated.

	Years ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
EMS										
POS and ATM systems	322,739	7%	208,969	4%	242,440	4%	102,849	4%	120,574	4%
Flash memory modules	225,765	5%	124,354	3%	100,566	2%	34,131	1%	39,956	1%
Internet Media Tablets	29,935	1%	50,979	1%	332,219	6%	88,336	4%	465,244	16%
Others	43,573	1%	46,321	1%	78,719	1%	13,611	1%	51,853	2%
Total	622,012	14%	430,623	9%	753,944	13%	238,927	10%	677,627	23%

Revenue from EMS business dropped significantly by 31% in 2009 was primarily due to the effect of the financial crisis. Significant increase in revenue from the EMS business by 75% in 2010 was mainly due to increase in sales orders from an Internet Media Tablets provider, which is an EMS customer of the Group, as a result of strong market demand for these products and the said customer opted for turnkey manufacturing. Sales orders from this customer for Internet Media Tablets continued in the first half of 2011, up 427% from approximately HK$88 million for the six months ended 30 June 2010 to approximately HK$465 million for the six months ended 30 June 2011, resulting in an overall increase in the revenue of the Group's EMS business from approximately HK$238.9 million for the six months ended 30 June 2010 to approximately HK$677.6 million for the six months ended 30 June 2011, representing an increase of 184%. To provide turnkey manufacturing service to its customers, the Group requires higher levels of working capital as the Group is required to finance the purchase of raw materials in addition to the manufacturing cost of the products. Cost incurred by the Group in relation to the handling of inventories, storage, insurance and financing are built into the pricing and passed through to the customer. The value of inventories carried by the Group in respect of the internet media tablets production, which included materials, work-in-progress and finish goods amounted to HK$6 million, HK$11 million, HK$97 million and HK$143 million, accounting for approximately 0.1%, 0.15%, 9.96% and 14.6% of the Group's total inventories as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively. In terms of trade receivables, the amounts due from the said customer amounted to HK$13.8 million, HK$4.3 million, HK$87.3 million and HK$117.5 million, accounting for 2.3%, 0.6%, 9.7% and 15.3% of the Group's total trade receivables as at 31 December 2008, 2009, 2010 and 30 June 2011, respectively.

Generally, except for the materials and components provided by EMS contract manufacturing customers to the Group, costs of other materials sourced and supplied by the Group to EMS customers are updated and reflected in the costs of the bill-of-materials and passed on to the customers directly. Quotation prices are based on the most current costs of the bill-of-materials, plus the value-added costs and profit margin. Value-added costs are comprised of pre-manufacturing costs, equipment usage, production and testing services, packaging, logistics, selling and administration overheads. This pricing policy provides a profit incentive to maximise efficiency and procurement power. The following table provides the estimated average assembly fees charged by the Group to its EMS customers during the Track Record Period.

(HK$)	Year ended 31 December			6 months ended 30 June
	2008	2009	2010	2011
ATM and POS system	41	40	47	51
Flash memory modules	7	5	4	5
Internet Media Tablets	58	92	94	99
Other EMS products	5	8	13	13

Geographical Segment

The following table sets forth the revenue in each of the Group's geographical segment as a percentage of the total revenue for the period indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010 (unaudited)		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
APAC	2,458,149	56%	2,413,666	51%	2,660,392	48%	1,301,287	52%	1,185,991	41%
EMEAI	1,305,936	30%	1,303,012	28%	1,542,048	27%	553,251	22%	959,006	33%
NALA	362,309	8%	463,551	10%	516,419	9%	239,050	10%	283,707	10%
PRC	262,922	6%	528,973	11%	866,523	16%	390,101	16%	477,080	16%
Total	**4,389,316**	**100%**	**4,709,202**	**100%**	**5,585,382**	**100%**	**2,483,689**	**100%**	**2,905,784**	**100%**

APAC is the largest market of the Group, which contributed to over 40% of total revenue of the Group during the Track Record Period, as most of the key customers of the ODM/OEM contract manufacturing business engaged the Group through their APAC entities. EMEAI is the second most important market of the Group, which contributed to over 20% of total revenue of the Group during the Track Record Period, as this is the largest market of its own ZOTAC, Inno3D and Manli brands. Slightly decrease in APAC and EMEAI in 2009 was the net result of continuous increase in sales of the Group's own branded products, and decrease in sales as a result of the financial crisis. Increase in APAC and EMEAI in 2010 was mainly due to the continuous increase in sales of its own ZOTAC brand, and overall increase in sales as a result of recovery of the financial crisis. APAC remains to be the largest market of the Group, which contributed to over 40% of total revenue of the Group for the six months ended 30 June 2011. Decrease in APAC sales for the six months ended 30 June 2011 was mainly due to the decrease of sales from OEM/ODM customers, because lack of new launcheds of GPU from AMD since majority of the Group's OEM/ODM customers for video graphics cards use AMD based GPU, including both AMD and Sapphire. Increase in EMEAI for the six months ended 30 June 2011 was mainly due to the increase in sales of Internet Media Tablet under EMS businesses.

Continuous increase in NALA and the PRC during the Track Record Period was mainly contributed by the continuous increase in sales of its own ZOTAC branded products after the establishment of a US subsidiary in late 2007 and appointment of the sole PRC distributor in January 2008. NALA and PRC have achieved growth of 18.7% and 22.3% for the six months ended 30 June 2011, respectively. These were mainly contributed by increase in sales of the Group's own ZOTAC branded products and engaging in EMS business in NALA.

For further discussion of period-by-period comparison of revenue, please refer to "Results of Operations" in this section of this prospectus.

Cost of sales

Cost of sales primarily consists of cost of material (raw materials and parts), direct labor cost, depreciation and subcontracting charges.

The following table sets forth the principal components of cost of sales and as a percentage of total cost of sales for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Changes in inventories	(12,191)	(0.3%)	(217,444)	(5.1%)	(214,788)	(4.2%)	(138,078)	(6.0%)	(36,216)	(1.3%)
Purchase of raw materials and parts	3,783,913	94.0%	4,200,195	98.3%	5,036,250	98.3%	2,279,816	99.9%	2,569,352	95.4%
Adjusted material cost	**3,771,722**	**93.7%**	**3,982,751**	**93.2%**	**4,821,462**	**94.1%**	**2,141,738**	**93.9%**	**2,533,136**	**94.1%**
Direct Labor	97,138	2.4%	105,021	2.5%	134,550	2.6%	62,007	2.7%	78,111	2.9%
Depreciation	39,887	1.0%	38,692	0.9%	39,882	0.8%	20,299	0.9%	19,808	0.7%
Subcontracting charges	37,115	0.9%	64,115	1.5%	59,255	1.2%	26,323	1.2%	12,621	0.5%
Others *(Note)*	79,487	2.0%	83,283	1.9%	69,610	1.3%	31,610	1.3%	47,378	1.8%
Total	**4,025,349**	**100%**	**4,273,862**	**100%**	**5,124,759**	**100%**	**2,281,977**	**100%**	**2,691,054**	**100%**

Note: "Others" mainly include rental expenses, utilities charges, royalty charges, repair and maintenance expenses and packing cost.

Material cost constituted the main component of cost of sales. For the three years ended 31 December 2010 and for the six months ended 30 June 2011, material cost represented 93.7%, 93.2%, 94.1% and 94.1% of total cost of sales, respectively. Raw materials mainly include ASIC (including GPU), RAM, PCBs and heatsink.

During the Track Record Period, contribution of direct labor to total cost of sales increased from 2.4% in 2008 to 2.6% in 2010 was mainly due to increase of regulatory minimum wage in Dongguan and appreciation of Renminbi in 2010. As depreciation cost remained stable during the Track Record Period, its contribution to total cost of sales dropped from 1.0% in 2008 to 0.8% in 2010. Increase in subcontracting charges in 2009 was resulted from the Group's business expansion since 2008 (acquisitions of businesses of ASK Technology and Manli Technology in April 2008, and development of its own ZOTAC brand). In 2010, the Group reconfigured the SMT lines and at the same time increased its productivity, thus resulted in a decrease in subcontracting charges. Due to decline in OEM/ODM contract manufacturing of video graphics cards, the Group has sufficient in-house SMT production capacity to reduce the demand on outsourcing, which resulted in further decline in subcontracting charges.

The following table sets forth the material cost in each of the Group's product segment as a percentage of the total cost of sales for the period indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010 (unaudited)		2011	
	HK$'000	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*	*HK$'000*	*% of total*
Video graphics cards	3,143,427	78.1%	3,365,554	78.8%	3,801,005	74.1%	1,778,362	77.9%	1,679,840	62.4%
EMS	461,930	11.5%	316,930	7.4%	607,454	11.9%	188,710	8.3%	583,713	21.7%
Other PC related products and components	166,365	4.1%	300,267	7.0%	413,003	8.1%	174,666	7.7%	269,583	10.0%
Total	**3,771,722**	**93.7%**	**3,982,751**	**93.2%**	**4,821,462**	**94.1%**	**2,141,738**	**93.9%**	**2,533,136**	**94.1%**

The fluctuations of material cost in each of the Group's product segment during the Track Record Period were in line with that of revenue.

Key Costs Components

Such computer products manufacturers may choose to consign certain components and materials to the Group and the customer retained title over such consigned components. The customers may require the Group to procure all or any remaining components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements may vary from time to time.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, ODM/OEM contract manufacturing customers of the Group provided approximately 4.4 million pieces, 5.0 million pieces, 5.2 million pieces, and 2.1 million pieces of GPUs to the Group, respectively on a consignment basis for use in assembly of video graphics cards. This represented 46%, 41%, 42%, and 36%, respectively of all the GPUs utilised by the Group to assembly video graphics cards for the same period.

Of all the components required to manufacture a video graphics card, GPU is the most expensive component. During the Track Record Period, the price, which the Group purchased GPUs ranged from approximately US$5.0 to US$300.0. Purchase of GPU accounted for approximately 35%, 38%, 34% and 36% for the Group's total materials purchases for the three years ended 31 December 2010 and for the six months ended 30 June 2011, respectively.

Relative to the other components, RAM is considered to be slightly more expensive. During the Track Record Period, the price, which the Group purchased RAM ranged from approximately US$0.8 to US$6.0 per unit. Purchase of RAM accounted for 9%, 14%, 20% and 17% of the Group's total raw material purchases for the three years ended 31 December 2010 and for the six months ended 30 June 2011, respectively. Similar to GPU, the top five manufacturers RAM together produced approximately 90% of the world's output.

As a common industry practice, the proportion of the consigned materials and components may change from time to time, which is dependent on the requirement of the ODM/OEM contract manufacturing customers of the Group. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the Group procured all the components and materials (such practice is known as "turnkey") out of approximately 42%, 38%, 36%, and 34% of the video graphics cards assembled by the Group, respectively. It is not operationally practical and not an industry practice for ODM/OEM contract manufacturing customers to provide the Group with all the components and materials required in the assembly process of video graphics cards.

For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the gross profit after material costs as a percentage of revenue in cases where the Group procured all the components and materials for the assembly of video graphics cards were approximately 12%, 12%, 11%, and 12%, respectively. For the three years ended 31 December 2010 and in the six months ended 30 June 2011, the gross profit after material costs as a percentage of revenue in cases where the ODM/OEM contract manufacturing customers provided certain proportion of materials and components to the Company on a consignment basis was approximately 20%, 23%, 23%, and 21%, respectively.

Because of the relatively short life cycle of video graphics cards, the price of all the key underlying materials are subject to volatile fluctuations especially at times when imbalance between supply and demand occurs.

With the Group's ODM/OEM contract manufacturing changes in material prices can be passed on to its customers generally and as such the impact on the Group's profit margins would be minimal. This would not be the case for the Group's own brands products when there is an unexpected increase in the price of any of the key components and yet the Group may not be able to readily raise the selling price of its products in the retail market. Any significant fluctuation in the price of the key components could adversely impact on the Group's profit margin.

During the Track Record Period, the prices of the key components were considered to be relatively stable.

Gross profit and gross profit margin

Gross profit equals to revenue less cost of sales. Gross profit margin equals to gross profit divided by revenue.

The Directors have prepared the combined financial statements of the Group for the Track Record Period in accordance with HKFRSs issued by the HKICPA. The Group determines its operating segments based on the 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, manufacturing and sale of electronics and personal computer parts and accessories (see note 6 to the Accountants' Report set out in Appendix I to this prospectus). The material costs as a percentage of total cost of sales amounted to approximately 93.7%, 93.2%, 94.1% and 94.1% for the three years ended 31 December 2008, 2009, 2010 and in the six months ended 30 June 2011, respectively. The management therefore only desired to capture the underlying data sufficient to allocate material costs against production (and not other cost of sales, which ranged from approximately only 6% to 7% of the total cost of sales during the Track Record Period) for decision making purposes. The management intends to take steps to capture the underlying data to allocate the total cost of sales against production in the future.

The following table sets forth gross profit after material cost in each of the Group's product segments.

	Year ended 31 December						Six months ended 30 June			
Video graphics cards	**2008**	*Material costs as a percentage of revenue*	**2009**	*Material costs as a percentage of revenue*	**2010**	*Material costs as a percentage of revenue*	**2010**	*Material costs as a percentage of revenue*	**2011**	*Material costs as a percentage of revenue*
	HK$('000)		*HK$('000)*		*HK$('000)*		*HK$('000)*		*HK$('000)*	
— ODM/OEM contract manufacturing										
Revenue	2,507,491		2,453,802		2,653,702		1,305,653		1,044,714	
Material Cost	2,118,417	84.5%	2,055,848	83.8%	2,242,962	84.5%	1,092,612	83.7%	891,158	85.3%
Gross profit after material costs	**389,074**		**397,954**		**410,740**		**213,041**		**153,556**	
— Own brands										
Revenue	1,090,690		1,466,289		1,685,937		734,305		875,618	
Material Cost	1,025,010	94.0%	1,309,706	89.3%	1,558,043	92.4%	685,750	93.4%	788,682	90.1%
Gross profit after material costs	**65,680**		**156,583**		**127,894**		**48,555**		**86,936**	
Total for video graphics cards										
Gross profit after material costs	**454,754**		**554,537**		**538,634**		**261,596**		**240,492**	
EMS										
Revenue	622,012		430,623		753,944		238,927		677,627	
Material Cost	461,930	74.3%	316,930	73.6%	607,454	80.6%	188,710	79.0%	583,713	86.1%
Gross profit after material costs	**160,082**		**113,693**		**146,490**		**50,217**		**93,914**	
Other PC related products and components										
Revenue	169,123		358,488		491,799		204,804		307,825	
Material Cost	166,365	98.4%	300,267	83.8%	413,003	84.0%	174,666	85.3%	269,583	87.6%
Gross profit after material costs	**2,758**		**58,221**		**78,796**		**30,138**		**38,242**	
Total sales revenue	4,389,316		4,709,202		5,585,382		2,483,689		2,905,784	
Total cost of materials	3,771,722	85.9%	3,982,751	84.6%	4,821,462	86.3%	2,141,738	86.2%	2,533,136	87.2%
Gross profit after material costs	**617,594**		**726,451**		**763,920**		**341,951**		**372,648**	

ODM/OEM contract manufacturing of video graphics cards

The Group carries out contract manufacturing on OEM basis for AMD. AMD always would provide GPUs to the Group on consignment basis. AMD retained title over such consigned GPUs. Certain a components and materials such as RAM may be provided by AMD on a consignment basis from time to time. The Group always procured fansinks and PCBs on behalf of AMD and such components would be accounted for as purchases of the Group and expensed as cost of sales. The Group would procure any remaining components and materials necessary for the assembly of MBA video graphics cards. Most of the components and materials are sourced from AMD approved vendors, as required.

The Group carries out contract manufacturing OEM or ODM basis for Sapphire. Sapphire always would provide GPUs to the Group on a consignment basis. Sapphire retains title over such consigned GPUs. Sapphire may choose to consign certain other components and materials to the Group and require the Group to procure any remaining components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements vary from time to time.

The Group carries out contract manufacturing on OEM or ODM bases for computer products manufacturers such as Hon Hai Precision. Such computer products manufacturers usually require the Group to procure all the components and materials necessary for the assembly of video graphics cards and such components would be accounted for as purchases of the Group and expensed as cost of sales. The exact requirements varied from time to time.

In the ODM/OEM contract manufacturing of video graphics cards, material costs as a percentage for revenue were 84.5%, 83.8%, 84.5% and 85.3% for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. With reference to the section headed "Business — Pricing policy" in the Prospectus, the material costs are passed through to the customer. The "gross profit after material costs" represents the "value-added" costs (comprising costs elements such as pre-manufacturing costs, equipment usage, production and testing services, packaging, logistics and administration overheads) and a reasonable profit margin determined by the management. The Group may be required by the customers to procure all or only part of the materials and components required to assemble the video graphics cards to a varying extent.

The Group's own brands video graphics cards

In respect of the Group's own brands video graphics cards, material costs as a percentage for revenue were 94.0%, 89.3%, 92.4% and 90.1% for the three years ended 31 December 2010 and in the six months ended 30 June 2011, respectively. Being the Group's own brands products, the Group accounted for the components and materials purchased required for the assembly of such video graphics cards and such components and materials are expensed as cost of sales.

Due to the varying extent of components and materials content in ODM/OEM manufacturing of video graphics cards and the Group's own brands video graphics cards, the material costs as a percentage of revenue, which could also be interpreted as "gross profit margin after material costs" are not directly comparable.

The following table sets forth gross profit after material cost in each of the Group's product segment as well as gross profit margin for the period indicated.

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	HK$'000	*% of its revenue*	*HK$'000*	*% of its revenue*	*HK$'000*	*% of its revenue*	*HK$'000*	*% of its revenue*	*HK$'000*	*% of its revenue*
Revenue less material cost										
Video graphics cards										
— ODM/OEM contract manufacturing	389,074	15.5%	397,954	16.2%	410,740	15.5%	213,041	16.3%	153,556	14.7%
— The Group's own branded products	65,680	6.0%	156,583	10.7%	127,894	7.6%	48,555	6.6%	86,936	9.9%
	454,754	12.6%	554,537	14.1%	538,634	12.4%	261,596	12.8%	240,492	12.5%
EMS	160,082	25.7%	113,693	26.4%	146,490	19.4%	50,217	21.0%	93,914	13.9%
Other PC related products and components	2,758	1.6%	58,221	16.2%	78,796	16.0%	30,138	14.7%	38,242	12.4%
Gross profit after material cost	**617,594**	**14.1%**	**726,451**	**15.4%**	**763,920**	**13.6%**	**341,951**	**13.8%**	**372,648**	**12.8%**
Other cost of sales										
Direct Labor	(97,138)	(2.2%)	(105,021)	(2.2%)	(134,550)	(2.4%)	(62,007)	(2.5%)	(78,111)	(2.7%)
Depreciation	(39,887)	(0.9%)	(38,692)	(0.8%)	(39,882)	(0.7%)	(20,299)	(0.8%)	(19,808)	(0.7%)
Subcontracting charges	(37,115)	(0.9%)	(64,115)	(1.4%)	(59,255)	(1.1%)	(26,323)	(1.1%)	(12,621)	(0.4%)
Others *(Note)*	(79,487)	(1.8%)	(83,283)	(1.8%)	(69,610)	(1.2%)	(31,610)	(1.3%)	(47,378)	(1.6%)
	(253,627)	**(5.8%)**	**(291,111)**	**(6.2%)**	**(303,297)**	**(5.4%)**	**(140,239)**	**(5.7%)**	**(157,918)**	**(5.4%)**
Gross Profit	**363,967**	**8.3%**	**435,340**	**9.2%**	**460,623**	**8.2%**	**201,712**	**8.1%**	**214,730**	**7.4%**

Note: "Others" mainly include rental expenses, utilities charges, royalty charges, repair and maintenance expenses and packing cost.

The overall increase in the Group's gross profit in 2009 was primarily due to increase in gross profit from sales of video graphics cards and other PC related products and components as the net result of continuous increase in sales of the Group's own branded products and decrease in sales of EMS products as a result of the financial crisis.

The overall increase in the Group's gross profit in 2010 was primarily due to increase in gross profit from sales from EMS and other PC related products and components.

The overall increase in the Group's gross profit in the six months ended 30 June 2011 was due to increase in gross profit after material costs from sales from EMS and other PC related products and components, and was partially offset by decrease in gross profit from sales of video graphics cards mainly as a result of decrease in gross profit from AMD and other ODM/OEM manufacturer, because no new AMD based GPU was launched in first half year of 2011 and lost some orders.

For an analysis of variations in gross profit and gross profit margin over the Track Record Period, please refer to "Results of Operations" in this section of this prospectus.

Other revenue

Other sources of income and gains mainly comprised of interest income, dividend income, net exchange gains or losses and sundry income. The lower amount of other revenue, amounting to approximately HK$0.7 million, for the year ended 31 December 2008 was mainly due to HK$6.6 million of net exchange loss incurred during that year. The higher amount of other revenue, amounting to approximately HK$38.0 million, for the year ended 31 December 2010 was mainly attributable to approximately HK$31 million of dividend income received from Sapphire during that year. For the half year ended June 2011, sources of income and gains mainly comprised of net exchange gains or losses, net gains or losses on derivative financial instruments and sundry income. The higher amount of other revenue for the six months ended 30 June 2011 compared to the six months ended 30 June 2010 was mainly contributed by gain on derivative financial instrument and gain on exchange differences.

Selling and distribution expenses

Selling and distribution expenses consist primarily of sales commission, freight and transportation cost, advertising, promotion and marketing expense, and cost relating to finished goods exported from the PRC. Selling and distribution expenses were approximately HK$85 million, HK$96 million, HK$104 million and HK$48 million, constituting approximately 1.9%, 2.0%, 1.9% and 1.7% of turnover for the three years ended 31 December 2010 and for the six months ended 30 June 2011, respectively. Selling and distribution expenses as a percentage of turnover were reminded stable during the Track Record Period.

Administrative expenses

Administrative expenses consist primarily of staff costs, rent and utilities, insurance together with other general administrative expenses. Staff costs constituted the main component of administrative expenses, which accounted for over 40% of administrative expenses during the Track Record Period. Administrative expenses were continuously increasing during the Track Record Period as a result of the Group's business expansion during the periods.

Finance costs

Finance costs consist mainly of interest expense on bank borrowings.

Income tax expense

Income tax expense consists primarily of current tax provision of the Hong Kong profits tax and PRC enterprise income tax, and recognisation of deferred tax assets for temporary difference.

The amounts of taxation in the combined statements of comprehensive income represent:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010 (unaudited)**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current tax — Hong Kong profits tax					
— Provision for the year/period	7,560	14,828	17,374	8,065	4,365
— Under provision in respect of prior year/period	542	—	748	748	—
Current tax — PRC					
— Provision for the year/period	2,448	2,088	597	113	838
Current tax — United States and Korea					
— Provision for the year/period	245	6	830	—	—
— (Over)/under provision in respect of prior year/period	—	(132)	—	—	2
	10,795	16,790	19,549	8,926	5,205

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax					
— origination and reversal of temporary differences	351	(1,910)	(3,811)	(4,105)	(684)
— attributable to change in tax rate	(248)	—	—	—	—
	103	(1,910)	(3,811)	(4,105)	(684)
Income tax expense	10,898	14,880	15,738	4,821	4,521

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.

Zotac Macao was incorporated in Macau and 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% on the estimated assessable profits for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011.

Provision for PRC enterprise income tax is based on a statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011.

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

Recognised deferred tax assets was mainly contributed by temporary difference between depreciation rates applied for financial reporting purposes and for tax purposes.

The income tax expense for the Track Record Period can be reconciled to the profit per the combined statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010 (unaudited)**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before income tax expense	65,009	115,533	133,106	34,286	40,604
Tax on profit before income tax, calculated at Hong Kong profits tax rate	10,726	19,063	21,963	5,657	6,700
Effect of different tax rates of subsidiaries operating in other jurisdictions	(18)	9	(2,136)	(1,225)	(455)
Effect of tax exemption granted to a subsidiary *(Note a)*	(288)	(1,694)	(4,267)	(851)	(2,269)
Tax effect of non-taxable net income relating to offshore operation *(Note b)*	(4,196)	(7,579)	(10,471)	(4,571)	(3,212)
Tax effect of expenses not deductible for tax purposes *(Note c)*	2,807	4,166	6,143	4,574	2,754
Tax effect of revenue not taxable for tax purposes *(Note d)*	(1,470)	(362)	(4,753)	(1,100)	(1,641)
Tax effect of tax losses and deductible temporary differences not recognised *(Note e)*	3,752	1,542	8,475	1,627	2,893
Utilisation of tax losses previously not recognised	(300)	(87)	(83)	(38)	(251)
Under provision in prior year	—	—	853	748	2
Others	(115)	(178)	14	—	—
Income tax expense	10,898	14,880	15,738	4,821	4,521

Notes:

(a) This amount represents the tax effect of profit of the Group's Macau subsidiary, Zotac Macao.

In accordance with Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999 ("Article 12"), all offshore institutions (including commercial offshore institutions) can benefit from various taxes exemptions including profits and commercial taxes when the income is generated through the engagement in offshore business. Zotac Macao carries out overseas selling activities in Macau which is qualified and registered as a Macau Commercial Offshore institution as it engages in economic activity dedicated to foreign markets, to be pursued exclusively with non-residents and by means of transactions in currencies other than the pataca. Accordingly, Zotac Macao is exempted from Macau Complementary Tax pursuant to Article 12.

(b) This amount represents the tax effect of the 50% of assessable profit of PC Partner during the Track Record Period which were exempted under Departmental Interpretation of Practice Notes 21 ("DIPN 21") issued by the Inland Revenue Department of Hong Kong (the "IRD").

Under Section 14 of the Inland Revenue Ordinance, a company carrying on business in Hong Kong is subject to Hong Kong profits tax in respect of its profits arising in or derived from Hong Kong from such business. Pursuant to DIPN 21, the IRD is prepared to concede that, in cases where a Hong Kong manufacturing business enters into a processing arrangement with a PRC entity where the production processes are carried out at the processing factory situated in the PRC and the Hong Kong manufacturing business is heavily involved in the manufacturing activities in the PRC, profits from the sale of goods that were manufactured by such PRC entity can be apportioned on a 50:50 basis and 50% of the chargeable profits so apportioned can be treated as non-taxable in Hong Kong. The Directors consider that the Group's mode of manufacturing operations by PC Partner under the processing agreements as disclosed in the subsections headed "History and development of the Group's operations in the PRC — Baineng Factory" and "History and development of the Group's operations in the PRC — Dongguan Baineng" in the section headed "History and Development" of this prospectus is within the scope under DIPN 21 described above.

(c) Tax effect of expenses not deductible mainly related to the Group's exchange losses, amortisation of intangible asset, expenses cut-off, Social Insurance provision and GAAP differences mainly related to depreciable amount of property, plant and equipment as a result of different estimation of their residual values and useful lives. Continuously increase of these expenses mainly contributed by Social Insurance provision and GAAP difference.

(d) Tax effect of revenue not taxable mainly related to the Group's dividend income and interest income.

(e) This amount represents the tax effect of tax loss of a US subsidiary and PRC subsidiaries of the Group.

For the three years ended 31 December 2010 and for the six months ended 30 June 2010 and 2011, the effective tax rates of the Group were 17%, 13%, 12%, 14% and 11% respectively. Significant drop in effective tax rate in 2009 was mainly due to (i) significant reduction of net loss incurred by the Group's US subsidiary which had no impact on income tax expenses, and (ii) significant improvement of off-shore profit by its Macau subsidiary in 2009.

RESULTS OF OPERATIONS

The following table sets forth results of operations for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010 (unaudited)	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	4,389,316	4,709,202	5,585,382	2,483,689	2,905,784
Cost of sales	(4,025,349)	(4,273,862)	(5,124,759)	(2,281,977)	(2,691,054)
Gross profit	363,967	435,340	460,623	201,712	214,730
Other revenue and other gains and losses	661	5,881	38,007	3,553	5,834
Selling and distribution expenses	(85,250)	(96,171)	(104,192)	(47,424)	(48,078)
Administrative expenses	(195,082)	(219,037)	(249,562)	(118,133)	(126,069)
Finance costs	(19,287)	(10,480)	(11,770)	(5,422)	(5,813)
Profit before income tax expense	65,009	115,533	133,106	34,286	40,604
Income tax expense	(10,898)	(14,880)	(15,738)	(4,821)	(4,521)
Profit for the year/period	54,111	100,653	117,368	29,465	36,083
Other comprehensive income, after tax					
Exchange differences on translating foreign operations	12	—	37	110	(73)
Total comprehensive income for the year/period	54,123	100,653	117,405	29,575	36,010
Profit attributable to:					
— Owners of the Company	51,558	88,827	110,295	24,644	35,171
— Non-controlling interests	2,553	11,826	7,073	4,821	912
	54,111	100,653	117,368	29,465	36,083

Manufacturing of video graphics cards is a low margin business. During the Track Record Period, the net profit margins recorded by the Group were 1.23%, 2.14%, 2.10% and 1.24% for the years ended 31 December 2008, 2009, 2010 and in the six months ended 30 June

2011, respectively. Any increase in the costs of labour, electricity, rent, taxation, raw materials and so forth, which the Group could not pass onto its customers would adversely impact the Group's profitability.

COMPARISON OF RESULTS OF OPERATIONS

Comparison of the six months ended 30 June 2011 and 2010

Revenue

Total revenue increased by approximately HK$422 million, or approximately 17%, from approximately HK$2,484 million in the six months ended 30 June 2010 to approximately HK$2,906 million in the six months ended 30 June 2011, was due to increase in sales in EMS business and other PC related products and components by approximately HK$439 million and HK$103 million respectively and was partially offset by the decrease in sales of video graphics cards by approximately HK$120 million.

Sales of video graphics cards decreased by approximately HK$120 million, or approximately 6%, from approximately HK$2,040 million for the six months ended 30 June 2010 to approximately HK$1,920 million for the six months ended 30 June 2011. The decrease was mainly contributed by the decrease in sales of ODM/OEM contract manufacturing businesses and was partially offset by the increase in sales of its own ZOTAC brands.

As results of lack of new product launched in AMD based video graphics cards as well as losing a few OEM/ODM based customers, sales from OEM/ODM video graphics cards businesses decreased by approximately HK$261 million, or 20%, from approximately HK$1,306 million for the six months ended 30 June 2010 to approximately HK$1,045 million for the six months ended 30 June 2011. Since the NVIDIA launched a number of new GPUs towards the end of 2010 and in 2011, sales from the Group's own brands video graphics cards, which are based on NVIDIA GPUs, increased by approximately HK$142 million, or 19%, from approximately HK$734 million for the six months ended 30 June 2010 to approximately HK$876 million for the six months ended 30 June 2011.

Revenue from EMS business increased by approximately HK$439 million, or approximately 184%, from approximately HK$239 million in the six months ended 30 June 2010 to approximately HK$678 million in the six months ended 30 June 2011. Such significant growth was primarily due to an increase in sales of Internet Media Tablet products by HK$377 million , or approximately 427%, which was mainly due to a strong market demand of these products as well as a change of manufacturing model to turnkey manufacturing by a EMS customer from the second half year of 2010.

Sales of other PC related products and components was increased by approximately HK$103 million, or approximately 50%, from approximately HK$205 million for the six months ended 30 June 2010 to approximately HK$308 million for the six months ended 30 June 2011. Such increase was mainly due to the continuous increase in sales of its own ZOTAC brands by HK$62 million and increased components sales by HK$43 million for the six months ended 30 June 2011.

The recent economy conditions and difficulties in the credit and financial markets in the United States and Europe did not appear to have significant impact on the Group's sales performance.

Revenue from the EMEAI region grew by approximately HK$406 million from approximately HK$553 million in the six months ended 30 June 2010 to approximately HK$959 million in the six months ended 30 June 2011, representing an increase of approximately 73%.

The growth in the EMEAI region was due to substantial increase in sales orders by an Internet Media Tablets provider, which is an EMS customer of the Group. The revenue from the said customer grew by approximately HK$377 million from approximately HK$88 million in the six months ended 30 June 2010 to approximately HK$465 million in the six months periods ended 30 June 2011, representing an increase of approximately 426%. Excluding the increase of sales to this Internet Media Tablet provider, revenue from the EMEAI region grew by approximately HK$29 million in the six months period ended 30 June 2010 from approximately HK$465 million to approximately HK$494 million in the six months periods ended 30 June 2011, representing an increase of 6%.

Within the EMEAI geographical segment, the European countries accounted for a substantial percentage of the revenue of this segment. During the Track Record Period, revenue contribution from Europe represented approximately 78%, 72%, 70% and 82%, respectively of the total revenue of the EMEAI segment.

Revenue from the NALA region grew by approximately HK$45 million or approximately 19% from HK$239 million in the six months period ended 30 June 2010 to approximately HK$284 million in the six months period ended 30 June 2011.

Based on the unaudited accounts for the three months ended 30 September 2011, and the audited accounts for the six months ended 30 June 2011 the total sales revenue recorded by the Group increased by approximately 14% when compared with the Group's audited total sales revenue for the nine months ended 30 September 2010. There is no adverse change in the sales revenue trend in the three months ended 30 September 2011.

Cost of Sales

Cost of sales was increased by approximately HK$409 million, or approximately 17.9%, from approximately HK$2,282 million in the six months ended 30 June 2010 to approximately HK$2,691 million in the six months ended 30 June 2011. The rate of increase in cost of sales was slightly higher than the rate of increase of revenue in the same period, which was mainly due to increase in material cost and labor cost and was partially offset by the decrease in subcontracting charges.

Percentage of material cost to revenue was increased from 86.2% for the six months ended 30 June 2010 to 87.2% for the six months ended 30 June 2011 as a result of different product mix between the periods and change from consignment to turnkey model for a major EMS customer for Internet Media Tablet.

As a result of increase of regulatory monthly minimum wage in Dongguan from RMB770 to RMB920 per head in May 2010 and then to RMB1,100 in March 2011, appreciation of the Renminbi and increase in sales as a result of the Group's business expansion, the Group's direct labour cost increase by approximately HK$16 million, or approximately 26%, from approximately HK$62 million for the six months ended 30 June 2010 to approximately HK$78 million for the six months ended 30 June 2011.

The outsourcing subcontracting charges reduced by approximately HK$13.7 million, or approximately 52%, from approximately HK$26.3 million for the six months ended 30 June 2010 to approximately HK$12.6 million for the six months ended 30 June 2011, which was mainly due to a decrease in video graphics cards order and the increasing capacity for in-house production.

Gross Profit and Gross Profit Margin

Gross profit was increased by approximately HK$13 million, or approximately 6.4%, from approximately HK$202 million in the six months of 30 June 2010 to approximately HK$215 million in the six months of 30 June 2011. This increase was mainly a net result of an increase in sales of EMS, own brands video graphics cards, and other PC related products and components, and a decrease in sales of OEM/ODM video graphics cards due to no new AMD based GPU was launched in the first six month 2011.

Gross profit margin from sale of video graphics cards after material cost decreased from approximately 12.8% in the six months ended 30 June 2010 to approximately 12.5% in the six months ended 30 June 2011. This was the net effect of a decline in the OEM/ODM gross profit margin after material costs from 16.3% for six months ended 30 June 2010 to 14.7% for six months ended 30 June 2011, and an increase in gross profit margin after material costs in own brands video graphics cards from 6.6% for six months ended 30 June 2010 to 9.9% for six months ended 30 June 2011. Gross profit margin from EMS after material cost was decreased from approximately 21.0% in the six months ended 30 June

2010 to approximately 13.9% in the six months ended 30 June 2011. This was mainly due to the Internet Media Tablet customer opting for turnkey manufacturing from second half year in 2010. Gross profit margin from sale of other PC related products and components after material costs decreased from approximately 14.7% in the six months ended 30 June 2010 to approximately 12.4% in the six months ended 30 June 2011 was mainly the net effect of the decrease in Zotac PC related products gross profit margin as a result of strong price competition and increased in gross profit margin of components sales.

As a result of the above and increase in material costs and labour costs stated in the cost of sales section, the Group's gross profit margin dropped from approximately 8.1% in the six months ended 30 June 2010 to approximately 7.4% in the six months ended 30 June 2011.

Other Revenue

Other revenue was increased by approximately HK$2.2 million, or approximately 61%, from approximately HK$3.6 million in the six months ended 30 June 2010 to approximately HK$5.8 million in the six months ended 30 June 2011. Such increase was mainly attributable to net exchange gain by HK$0.4 million and net gains on derivative financial instruments by approximately HK$1.0 million during the period.

Selling and Distribution expenses

Selling and distribution expenses were increased by approximately HK$0.7 million, or approximately 1%, from approximately HK$47.4 million in the six months ended 30 June 2010 to approximately HK$48.1 million in the six months ended 30 June 2011. The increase was slightly lower than that of revenue mainly due to reduction of commission paid in Europe on video graphics cards brand business.

Administrative Expenses

Administrative expenses was increased by approximately HK$7.9 million, or approximately 6.7%, from approximately HK$118.1 million in the six months ended 30 June 2010 to approximately HK$126.0 million in the six months ended 30 June 2011. The increase was mainly due to increased staff costs by approximately HK$8.0 million to support the growth.

Finance Costs

Finance costs was increased by approximately HK$0.4 million, or approximately 7%, from approximately HK$5.4 million in the six months ended 30 June 2010 to approximately HK$5.8 million in the six months ended 30 June 2011. The increase was mainly due to increased bank borrowings and loans for the periods.

Income Tax Expense

Income tax expense was decreased by approximately HK$0.3 million, or approximately 6.2%, from approximately HK$4.8 million in the six months ended 30 June 2010 to approximately HK$4.5 million in the six months ended 30 June 2011. This decrease was mainly due to significant improvement of off-shore profits by a Macau subsidiary for the six months ended 30 June 2011, which is tax-free. The Group's effective tax rate was at approximately 11% in the six months ended 30 June 2011.

Profit for the period

As a result of the foregoing, the profit for the six months ended 30 June 2011 was increased by approximately HK$6.6 million, or approximately 22%, from approximately HK$29.5 million in the six months ended 30 June 2010 to approximately HK$36.1 million in the six months ended 30 June 2011.

This increase in profit in the six months ended 30 June 2011 was mainly due to increase in gross profit by approximately HK$13 million, in other revenue by approximately HK$2 million, and partially offset by net increase of other expenses by approximately HK$9 million.

Profit attributable to the owners of the Company

As a result of the foregoing and after decrease of share of net profit of the Group by its non-controlling shareholders by approximately HK$3.9 million, the profit attributable to the owners of the Company was increased by approximately HK$10.5 million, or approximately 43%, from approximately HK$24.7 million in the six months ended 30 June 2010 to approximately HK$35.2 million in six months ended 30 June 2011.

Comparison of the year ended 31 December 2010 and 2009

Revenue

Total revenue increased by approximately HK$876 million, or approximately 19%, from approximately HK$4,709 million in 2009 to approximately HK$5,585 million in 2010, was due to increase of sales of video graphics cards, EMS business and other PC related products and components by approximately HK$420 million, HK$323 million and HK$133 million respectively.

Sales of video graphics cards was increased by approximately HK$420 million, or approximately 11%, from approximately HK$3,920 million in 2009 to approximately HK$4,340 million in 2010. The increase was mainly contributed by continuous increase in sales of its own ZOTAC brands and an increase in sales from the ODM/OEM contract manufacturing business as a result of recovery of the financial crisis.

As results of recovery of the financial crisis and continuous development of ZOTAC products with effect partially offset by the delay in launching new GPUs by NVIDIA in 2010, quantities sold in the Group's ODM/OEM contract manufacturing business and under the Group's own branded products were only increased by 0.5% and 4.8%, respectively. In addition, due to recovery of the financial crisis and launching of new GPUs with higher specifications in 2010, the average selling price of the Group's ODM/OEM contract manufacturing products and the Group's own branded products were increased by 7% and 9%, respectively. As a result of the foregoing, revenue from sale of video graphics cards of the Group's ODM/OEM contract manufacturing business and the Group's own branded products increased by 8% and 15% in 2010, respectively.

Revenue from EMS business increased by approximately HK$323 million, or approximately 75%, from approximately HK$431 million in 2009 to approximately HK$754 million in 2010. Such significant increase was primarily due to an increase in sales of Internet Media Tablets to a consumer electronics company of approximately HK$281 million as result of strong market demand of these products and the said French electronics company opted for turnkey manufacturing by this customer during the year.

Sales of other PC related products and components was increased by approximately HK$133 million, or approximately 37%, from approximately HK$358 million in 2009 to approximately HK$491 million in 2010. Such increase was mainly due to continuous increase in sales of its own ZOTAC branded products by approximately HK$107 million in 2010.

Cost of Sales

Cost of sales was increased by approximately HK$851 million, or approximately 20%, from approximately HK$4,273 million in 2009 to approximately HK$5,124 million in 2010. The increase in cost of sales was slightly higher than the increase of the revenue was mainly due to increase in material cost and labor cost which partially offset by decrease in subcontracting charges.

Percentage of material cost to revenue was increased from 84.6% in 2009 to 86.3% in 2010, was mainly due to higher material cost for products in 2010 as a result of launching of new GPUs with higher specifications and change of manufacturing model to turnkey manufacturing by one of the Group's EMS customer.

As a result of increase of regulatory minimum wage in Dongguan from RMB770 to RMB920 per head in May 2010, appreciation of Renminbi and increase in sales as a result of the Group's business expansion, the Group's direct labor cost increase by approximately HK$29 million, or approximately 28%, from approximately HK$105 million in 2009 to approximately HK$134 million in 2010.

In 2010, the Group reconfigured the SMT lines and at the same time increased its productivity, thus resulted in a decrease in subcontracting charges by approximately HK$5 million, or approximately 8%, from approximately HK$64 million in 2009 to approximately HK$59 million in 2010.

Gross Profit and Gross Profit Margin

Gross profit was increased by approximately HK$25 million, or approximately 5.8%, from approximately HK$435 million in 2009 to approximately HK$460 million in 2010. This increase was mainly resulted from increase of gross profit from sales of EMS and other PC related products and components which partially offset by decrease of gross profit from sales of video graphics cards as higher material cost for products in 2010 due to launching of new GPUs with higher specifications.

Gross profit margin from sale of video graphics cards after material cost was decreased from 14.1% in 2009 to 12.4% in 2010 as higher material cost for products in 2010 due to launching of new GPUs with higher specifications. EMS's gross profit margin after material cost was decreased from 26.4% in 2009 to 19.4% in 2010, was mainly due to change of manufacturing model to turnkey manufacturing by the Group's Internet Media Tablet customer and change of product mix with more lower price products ordered by the Group's key flash memory customer. Gross profit margin from sale of other PC related products and components after material cost was reminded stable at approximately 16%.

As a result of the above and increase in director labor cost stated in cost of sales section, the Group's gross profit margin dropped from approximately 9.2% in 2009 to approximately 8.2% in 2010.

Other Revenue

Other revenue was increased by approximately HK$32.1 million, or approximately 540%, from approximately HK$5.9 million in 2009 to approximately HK$38.0 million in 2010. Such significant increase was mainly attributable to approximately HK$31 million of dividend income received from Sapphire during that year.

The equity interest in Sapphire is the only investment of the Group under the category of "unlisted-available-for-sale investment". The Group has no influence over Sapphire on its dividends declaration. Dividends income under such category is dependent on whether Sapphire declares dividends.

The income of HK$1.5 million recognised from the waiver of long outstanding trade payables is a non-recurring item. HK$1.1 million of the said amount recognised was goods-received-not-invoiced recorded in 2006. HK$0.4 million of the said amount recognised was goods-received-not-invoiced recorded in 2008. The said amounts were never invoiced and never reported on any supplier statements. The Group decided to recognise such income after a detailed review and in agreement with the Reporting Accountant on such treatment.

Selling and Distribution Expenses

Selling and distribution expenses was increased by approximately HK$8 million, or approximately 8%, from approximately HK$96 million in 2009 to approximately HK$104 million in 2010. The increase was consistent with the increase of the revenue.

Administrative Expenses

Administrative expenses was increased by approximately HK$30 million, or approximately 14%, from approximately HK$219 million in 2009 to approximately HK$249 million in 2010. The increase was mainly due to increased staff costs by approximately HK$17 million to support the growth.

Finance Costs

Finance costs was increased by approximately HK$1.3 million, or approximately 12%, from approximately HK$10.4 million in 2009 to approximately HK$11.7 million in 2010. The increase was mainly due to higher amount of bank borrowings in 2010.

Income Tax Expense

Income tax expense was increased by approximately HK$0.9 million, or approximately 6%, from approximately HK$14.8 million in 2009 to approximately HK$15.7 million in 2010. This increase was in line with the increase of the profit before income tax expense. The Group's effective tax rate is reminded stable at approximately 12% in 2010.

Profit for the year

As a result of the foregoing, the profit for the year was increased by approximately HK$17 million, or approximately 17%, from approximately HK$100 million in 2009 to approximately HK$117 million in 2010.

This increase of profit for the year was mainly due to approximately HK$31 million of dividend income received from Sapphire during the year.

Profit attributable to the owners of the Company

As a result of the foregoing and after decrease of share of net profit of the Group by its minority shareholders by approximately HK$5 million, the profit attributable to the owners of the Company was increased by approximately HK$22 million, or approximately 25%, from approximately HK$88 million in 2009 to approximately HK$110 million in 2010.

Comparison of the years ended 31 December 2009 and 2008

Revenue

Total revenue increased by approximately HK$320 million, or approximately 7%, from approximately HK$4,389 million in 2008 to approximately HK$4,709 million in 2009, was the net result of (i) increase of sales of video graphics cards and other PC related products and components by approximately HK$322 million and HK$189 million respectively, and (ii) decrease of revenue from EMS business by approximately HK$191 million.

Sales of video graphics cards was increased by approximately HK$322 million, or approximately 9%, from approximately HK$3,598 million in other 2008 to approximately HK$3,920 million in 2009. The increase was the net result of continuous increase in sales of its own ZOTAC, Inno3D and Manli brands, and decrease in other sales of other video graphics cards as a result of the financial crisis. As net result of the financial crisis and the Group's business expansion since 2008 (acquisitions of businesses of ASK Technology and Manli Technology in April 2008, and development of its own ZOTAC brand), quantities sold in the Group's ODM/OEM contract manufacturing business and under the Group's own branded products were increased by 19% and 57%, respectively. However, due to financial crisis, the average selling price of the Group's ODM/OEM contract manufacturing products and the Group's own branded products were dropped by 18% and 14%, respectively. As a result of the foregoing, revenue from sale of video graphics cards of the Group's ODM/OEM contract manufacturing business slightly dropped by 2% while that of the Group's own branded products increased by 34% in 2009.

Revenue from EMS business dropped by approximately HK$191 million, or approximately 31%, from approximately HK$622 million in 2008 to approximately HK$431 million in 2009. Such significant drop was primarily due to the effect of the financial crisis.

Sales of other PC related products and components was increased by approximately HK$189 million, or approximately 112%, from approximately HK$169 million in 2008 to approximately HK$358 million in 2009. Such increase was mainly due to increase in sales of its own ZOTAC branded products as the Group commenced this business in late 2007. Sales of ZOTAC branded PC related products was increased by approximately HK$148 million, or approximately 890%, from approximately HK$17 million in 2008 to approximately HK$165 million in 2009.

Cost of Sales

Cost of sales was increased by approximately HK$248 million, or approximately 6%, from approximately HK$4,025 million in 2008 to approximately HK$4,273 million in 2009. The increase in material cost and direct labor cost was consistent with the increase of the revenue. In 2009, the Group incurred more subcontracting charges to capture the increase of production requirement as a result of the Group's business expansion.

Gross Profit and Gross Profit Margin

Gross profit was increased by approximately HK$71 million, or approximately 20%, from approximately HK$364 million in 2008 to approximately HK$435 million in 2009. This increase was consistent with the increase of the revenue and cost of sales, and mainly contributed by increase in gross profit from sales of video graphics cards and other PC related products and components.

Gross profit margin from sale of video graphics cards, EMS and other PC related products and components after material cost was increased from 12.6% , 25.7% and 1.6% in 2008 to 14.1%, 26.4% and 16.2% in 2009, respectively. The Group's overall gross profit margin was improved from approximately 8.3% in 2008 to approximately 9.2% in 2009. Such improvement was mainly due to (i) continuous increase of gross profit margin of the Group's core business, i.e. the ODM/OEM contract manufacturing business, due to increase in production volume and thus improving economies of scale of the Group; (ii) increase of gross profit margin from sales of ZOTAC products in all regions, including NALA, which recorded a gross profit margin in 2009 instead of a gross loss margin in 2008; and (iii) a significant improvement in the gross profit margins of the businesses of ASK Group and Manli Group after their amalgamation into the Group, which benefited from the economies of scale partly explained by the enlarged procurement volume of the Group.

Other Revenue

Other revenue was increased by approximately HK$5.2 million, or approximately 789%, from approximately HK$0.7 million in 2008 to approximately HK$5.9 million in 2009. Such significant increase was mainly attributable to decrease in net exchange loss by approximately HK$6.6 million and increase in net fair value gains on derivative financial instruments by approximately HK$0.9 million.

Selling and Distribution Expenses

Selling and distribution expenses was increased by approximately HK$11 million, or approximately 12%, from approximately HK$85 million in 2008 to approximately HK$96 million in 2009. The increase was consistent with the increase of the revenue, especially for the increase of sales under its own brands, which require more contribution in overall selling and distribution expenses.

Administrative Expenses

Administrative expenses was increased by approximately HK$24 million, or approximately 12%, from approximately HK$195 million in 2008 to approximately HK$219 million in 2009. The increase was mainly due to increased staff costs by approximately HK$26 million in line with overall better performance of the Group in 2009.

Finance Costs

Finance costs was decreased by approximately HK$8.8 million, or approximately 45%, from approximately HK$19.2 million in 2008 to approximately HK$10.4 million in 2009. The decrease was the net result of higher amount of bank borrowings and substantial reduction in interest rates in 2009.

Income Tax Expense

Income tax expense was increased by approximately HK$4.0 million, or approximately 36%, from approximately HK$10.8 million in 2008 to approximately HK$14.8 million in 2009. This increase was less than the increase of the profit before income tax expense, which was mainly due to (i) significant reduction of net loss incurred by its US subsidiary (for ZOTAC business in NALA) had no impact on income tax expense; and (ii) significant improvement of net profit by its Macau subsidiary (for ZOTAC business in EMEAI) had no impact on income tax expense too as it was exempted from Macau Complimentary Tax. As a result, the effective tax rates of the Group was dropped from 17% in 2008 to 13% in 2009.

Profit for the year

As a result of the foregoing, the profit for the year was increased by approximately HK$46 million, or approximately 86%, from approximately HK$54 million in 2008 to approximately HK$100 million in 2009.

Such huge increase of profit for the year was mainly caused by continuous increase of gross profit since the Group's business expansion in 2008, and was also due to significant reduction of net loss of the US subsidiary by approximately HK$16 million in 2009.

Profit attributable to the owners of the Company

As a result of the foregoing and after significant increase of share of net profit of the Group by its minority shareholders by approximately HK$9 million, the profit attributable to the owners of the Company was increased by approximately HK$37 million, or approximately 72%, from approximately HK$51 million in 2008 to approximately HK$88 million in 2009.

SELECTED BALANCE SHEET ITEMS

Property, plant and equipment

As at 31 December 2008, 2009, 2010 and 30 June 2011, the net book value of the Group's property, plant and equipment were HK$101 million, HK$93 million, HK$94 million and HK$78 million, respectively. This represented a decrease of 8.3% and an increase of 0.6% on a year on year basis between 2008 and 2010 and a decrease of 16.8% between 31 December 2010 and 30 June 2011. These decreases principally related to depreciation charges and the varying annual capital expenditure plans under the categories of plant and machinery and office and testing equipment. Capital expenditure for the year of 2011 on the said categories took place after the Track Record Period.

Property, plant and equipment principally comprises leasehold improvement, plant and machinery and office and testing equipment located in the PRC and used in the Group's factory operations. Please refer to the section headed "Accountants' Report — Note 16 — Property, plant and equipment" for further information.

Inventories

During the Track Record Period, inventories were one of the principal components of the Group's current assets. The value of inventories accounted for approximately 34%, 34%, 37% and 45% of the Group's total current assets as at 31 December 2008, 2009, 2010 and 30 June 2011.

The following table sets forth a summary of inventories and average inventory turnover days as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	386,385	538,284	584,263	640,388
Work-in-progress	5,228	11,883	18,363	10,393
Finished goods	164,804	224,277	368,627	355,183
	556,417	774,444	971,253	1,005,964
Less: Provision for obsolete inventories	(44,791)	(45,374)	(27,395)	(25,890)
Total	511,626	729,070	943,858	980,074
Average inventory turnover days *(Note)*	46	53	60	65

Note: Average inventory turnover days equals average of the beginning and ending balance of inventories for the period divided by cost of sales for the period, and multiplied by 365 days (for each of the years ended 31 December 2008, 2009 and 2010) or 181 days (for six months ended 30 June 2011).

Total inventories increased from approximately HK$511 million as at 31 December 2008 to approximately HK$729 million as at 31 December 2009, primarily due to restoration of the Group's normal inventory management policy to maintain sufficient level of inventory to match with the Group's increased scale of operations at the end of 2009 in response to the recovery of the global economy. As a result, average inventory turnover days increased from 46 days in 2008 to 53 days in 2009.

Total inventories increased from approximately HK$729 million as at 31 December 2009 to approximately HK$943 million as at 31 December 2010. The increase was mainly due to (i) increase of inventories level by approximately HK$85 million for production of Internet Media Tablets for a consumer electronics company which increased sales order due to strong market demand of these products and opted for turnkey manufacturing during the year; and (ii) increase of inventories level of ZOTAC products by approximately HK$75 million to meet the customers' requirement as a result of continuous development by the Group for these own branded products.

Total inventories increased from approximately HK$943 million as at 31 December 2010 to approximately HK$980 million as at 30 June 2011. The increase was mainly due to further increase in inventories level for EMS production of Internet Media Tablets for a reputable consumer electronics company, which increased sales order.

Up to 31 October 2011, subsequent sales and usage of inventories as at 30 June 2011 totalled approximately HK$781 million, representing 80% of the outstanding balance.

Change in inventory (31 December 2010 to 30 June 2011):

Inventory increased by HK$36 million from HK$944 million as at 31 December 2010 to HK$980 million as at 30 June 2011 or by 3.8% was mainly due to the increase in materials requirements to satisfy the increase in orders of Internet Media Tablets by an EMS customer. The sales revenue from the said customer grew from HK$88 million to HK$465 million for the six months ended 30 June 2010 and for the six months ended 30 June 2011, respectively.

Trade and other receivables

The table sets forth trade and other receivables as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	608,242	702,003	912,467	777,122
Less: Accumulated impairment losses	(11,888)	(11,915)	(8,345)	(9,750)
	596,354	690,088	904,122	767,372
Amounts due from non-controlling interests	10,342	8,295	1,342	—
Amounts due from related companies	39,945	7,945	—	—
Other receivables	19,684	19,817	13,771	12,191
Deposits and prepayments	8,642	10,724	22,714	26,289
Dividend receivable	1,376	1,376	—	—
Total	676,343	738,245	941,949	805,852

The amounts due from non-controlling interests as at 31 December 2008 and 2009 mainly represented outstanding capital contribution from minority shareholders of ASK Group and Manli Group, which were fully settled in 2010. The amounts due from non-controlling interests as at 31 December 2010 have been fully settled in January 2011.

The amounts due from related companies as at 31 December 2008 mainly represented the amount due from a related company of ASK Group, acquired as a result of the acquisition of business of ASK Technology which was fully settled in 2009.

Other receivables mainly represented value added tax receivables, rebate receivables and the Group's shareholder funding contributed to its investments as their working capital. Deposits and prepayments mainly represented rental and utilities deposits, prepayments and deposits for purchasing materials, equipment and machinery and for construction works, and prepayments of cargo, staff and other insurance, and professional fee for the Listing. Significant increase in deposits and prepayments as at 31 December 2010 was mainly due to prepayment of approximately HK$8.6 million of professional fee for the Listing.

Prepayment of professional fee has been further increased by HK$5.4 million to approximately HK$14.0 million as at 30 June 2011.

Trade Receivables

During the Track Record Period, trade receivables were one of the principal components of the Group's current assets. The value of trade receivables accounted for approximately 40%, 32%, 35% and 36% of the Group's total current assets as at 31 December 2008, 2009, 2010 and 30 June 2011.

Trade receivables represented receivables for sales of the products to the Group's customers. In general, during the Track Record Period, credit periods of 30 to 60 days were granted to the customers.

The following table sets forth an ageing analysis of trade receivables (net of impairment losses) and average trade receivables turnover days as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	316,077	429,802	606,499	484,015
1 to 3 months	265,576	242,909	246,152	246,863
More than 3 months but within 1 year	13,721	14,218	48,979	32,116
Over 1 year	980	3,159	2,492	4,378
Total	596,354	690,088	904,122	767,372
Average trade receivables turnover days *(Note)*	50	50	52	52

Note: Average trade receivables turnover days equals average of the beginning and ending balance of trade receivables for the period divided by turnover for the period, and multiplied by 365 days (for each of the years ended 31 December 2008, 2009 and 2010) or 181 days (for six months ended 30 June 2011).

Continuous increase of trade receivables from 2008 to 2010 was in line with the increase in the Group's sales. Decrease in trade receivables within 1 month as at 30 June 2011 was due to the seasonality effect of the Group's business. Average trade receivables turnover days kept stable at around 50 days for the three years ended 31 December 2010 and for the six months ended 30 June 2011.

The Group has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit. Ongoing evaluations are performed on the financial condition of trade customers. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

However the Group has purchased credit insurance for the Group's trade receivables. Credit insurance companies assess the creditability of the Group's customers individually, and fix the insured credit limits of each customer. Credit insurance companies charge certain percentage of total insurable turnover as annual premium and compensate the Group for proven uncollectable trade receivables within insured credit limits. Annual maximum liability of credit insurance companies is ranging from 24 to 75 times of actual premium paid by each group company of the Group. Total premium paid were approximately HK$3.7 million, HK$5.8 million, HK$6.9 million and HK$4.1 million respectively for the years ended 31 December 2008, 2009, 2010 and in the six months ended 30 June 2011. Total insured trade receivables accounted for approximately 57%, 49%, 48% and 56% of the Group's total trade receivables as at 31 December 2008, 2009, 2010 and 30 June 2011. In this regard, the Directors consider the Group credit risk to be significantly reduced.

During the Track Record Period, the trade receivables turnover days were approximately 50, 50, 52 and 52 as at 31 December 2008, 2009, 2010, and 30 June 2011, respectively. According to the unaudited management accounts of the Group, the trade receivables turnover days as at 31 October 2011 was similar to the Track Record Period.

Up to 31 October 2011, subsequent settlement of trade receivables as at 30 June 2011 totalled approximately HK$748 million, representing 97% of the outstanding balance.

Trade and other payables

The following table sets forth trade and other payables as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	658,959	873,283	1,026,663	663,629
Other payables and accruals	116,947	114,814	156,058	147,526
Amounts due to non-controlling interests	16,110	31,027	—	—
Amounts due to related companies	19,938	20,691	—	—
	811,954	1,039,815	1,182,721	811,155

Other payables and accruals mainly represent salary and wages payables, and accrued selling and operating expenses. The higher amount of other payables and accruals as at 31 December 2010 mainly contributed to (i) increase of other creditors by approximately HK$11 million; (ii) increase of deposits received from customers of approximately HK$9 million; (iii) increase of provision for Social Insurance by approximately HK$10 million and (iv) increase of value added tax payable by approximately HK$9 million.

Other payables and accruals have been reduced by approximately HK$8 million to approximately HK$148 million as at 30 June 2011.

The amounts due to non-controlling interests as at 31 December 2008 represented compensation loss payables to minority shareholders of ASK Group and Manli Group in accordance with the acquisition agreements and payment by minority shareholder on behalf of ASK Group in 2008. The significant increase in the amounts as at 31 December 2009 compared with that as at 31 December 2008 was due to net payment of approximately HK$15 million by minority shareholder on behalf of ASK Group in 2009. All compensation loss payables and minority shareholders' payment on behalf were fully settled by the Group in 2010.

The amounts due to related companies as at 31 December 2008 and 2009 mainly represented amount due to a related company of ASK Group, which provided sub-contracting services to ASK Group during the Track Record Period.

Trade Payables

During the Track Record Period, trade payables were the most important component of the Group's current liabilities. The value of trade payables accounted for approximately 54%, 49%, 48% and 40% of the Group's total current liabilities as at 31 December 2008, 2009, 2010 and 30 June 2011.

Trade payables represented payables for purchases of the materials to the Group's suppliers. In general, during the Track Record Period, credit periods of 30 to 90 days were granted by the suppliers.

The following table sets forth an ageing analysis of trade payables and average trade payables turnover days as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Within 1 month	175,153	409,464	348,173	243,356
Over 1 month but within 3 months	311,210	332,651	524,389	346,427
Over 3 month but within 1 year	171,340	129,552	153,873	73,274
Over 1 year	1,256	1,616	228	572
Total	658,959	873,283	1,026,663	663,629
Average trade payables turnover days *(Note)*	58	65	68	57

Note: Average trade payables turnover days equals average of the beginning and ending balance of trade payables for the period divided by cost of sales for the period, and multiplied by 365 days (for each of the years ended 31 December 2008, 2009 and 2010) or 181 days (for six months ended 30 June 2011).

Total trade payables increased from approximately HK$658 million as at 31 December 2008 to approximately HK$873 million as at 31 December 2009, primarily due to relaxation of credit control by the Group's suppliers after the recovery of the global economy in 2009. Accordingly, average trade payables turnover days was back to the normal level of 65 days in 2009.

Total trade payables continuously increased from approximately HK$873 million as at 31 December 2009 to approximately HK$1,027 million as at 31 December 2010, which was in line with the increase in the Group's operation and cost of sales. Average trade payables turnover days kept at 68 days, which was comparable with those in 2009.

Total trade payables decreased from approximately HK$1,027 million as at 31 December 2010 to approximately HK$664 million as at 30 June 2011, and average trade payables turnover days was reduced to 57 days as at 30 June 2011. Purchases by PC Partner, the major procurement arm of the Group, represented 90%, 92%, 95%, and 95% of the total purchases of the Group for the three years ended 31 December 2010 and the six months ended 30 June 2011. The purchasing values of PC Partner in the second quarter of 2010 and in the forth quarter of 2010 were HK$998 million and HK$1,241 million, respectively, representing a difference of 24.3%. The purchasing value of PC Partner in the second quarter of 2011 was HK$1,092 million, which followed a similar seasonal pattern. As a result, the trade payables balance of PC Partner of HK$641 million as at 30 June 2011 (HK$753 million as at 30 June 2010) was lower than that of HK$984 million as at 31 December 2011.

During the first six months of 2011, the Internet Media Tablets EMS customer of the Group specified the use of some new suppliers, which offered less favourable terms of trade to the Group, such as requiring advanced payment or cash-on-delivery. Total payments to the suppliers under advanced payment or cash-on-delivery terms in the six months ended 30 June 2010 and in the six months ended 30 June 2011 were HK$5.8 million and HK$125.6 million, respectively on increase of approximately 22 fold. The less favourable terms of trade with the said new suppliers in the first six months of 2011 resulted in a reduction in average trade payable days.

Other payables and accruals reduced by approximately HK$9 million from HK$156 million as at 31 December 2010 to HK$147 million as at 30 June 2011. The reduction in the trade and other payable balance as at 30 June 2011 is reflected in the reduction in the cash and cash equivalent balance as at 30 June 2011 as compared with the respective balances as at 31 December 2010.

The Group's inventory increased by approximately HK$36 million from approximately HK$944 million as at 31 December 2010 to approximately HK$980 million as at 30 June 2011, representing increase of approximately 4%. The purchases of PC Partner in the fourth quarter of 2010 and the second quarter of 2011 were approximately HK$1,241 million and HK$1,092 million, respectively, representing a decrease of approximately 12%. As illustrated above, trade payables of PC Partner decreased by approximately 34.8% from 31 December 2010 to as 30 June 2011. The slight increase in the Group's inventory by approximately 4% despite the decrease in purchasing and trade payables of PC Partner was due to the increase in the use of suppliers, which required the Group to procure on cash-on-delivery or advanced payment basis and well as parts and components yet to be utilised in the Group's production processes.

Change in cash and cash equivalents (31 December 2010 to 30 June 2011):

Cash and cash equivalents declined by approximately HK$324 million from HK$685 million as at 31 December 2010 to HK$361 million as at 30 June 2011. The said reduction was mainly due to a net reduction in trade and other payables and import loans on or before 30 June 2011.

Up to 31 October 2011, subsequent payment of trade payables as at 30 June 2011 totalled approximately HK$659 million, representing 99% of the outstanding balance.

Other payables and accruals reduced by approximately HK$9 million from HK$156 million as at 31 December 2010 to HK$147 million as at 30 June 2011. The reduction in the trade and other payable balance as at 30 June 2011 is reflected in the reduction in the cash and cash equivalent balance as at 30 June 2011 as compared with the respective balances as at 31 December 2010.

Net current assets

The following table sets forth net current assets as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Inventories	511,626	729,070	943,858	980,074	851,584
Trade and other receivables	670,073	738,245	941,949	805,852	861,342
Derivative financial assets	—	1,101	412	652	652
Current tax recoverable	76	71	2,315	1,816	2,274
Pledged time deposits	3,627	7,124	7,142	7,142	7,142
Cash and cash equivalents	305,816	681,272	685,240	360,741	390,368
	1,491,218	2,156,883	2,580,916	2,156,277	2,113,362
Current liabilities					
Trade and other payables	811,954	1,039,815	1,182,721	811,155	921,569
Borrowings	388,174	714,680	934,891	829,599	684,521
Provisions	13,006	12,155	11,216	10,027	10,687
Obligations under finance leases	14	14	14	10	16
Derivative financial liabilities	—	143	162	103	103
Current tax liabilities	6,247	19,973	7,395	8,964	8,715
	1,219,395	1,786,780	2,136,399	1,659,858	1,625,611
Net current assets	271,823	370,103	444,517	496,419	487,751

Other than inventories, trade and other receivables, and trade and other payables, cash and cash equivalents and import loans under borrowings were also key components of the Group's net current assets.

As one of usual business strategies and treasury measurement to capture rapid growth, the Group financed certain of its purchase of raw materials by import loans during the Track Record Period, which are normally due within 3 to 4 months after the settlement by the banks. The import loans bear interest at floating effective interest rates ranging from 1.40% to 4.40%.

The Group's treasury policy is to regularly monitor its position of cash and cash equivalents to meet its working capital requirements. As a result of the Group's continuous expansion during the Track Record Period, higher level of working capital is maintained. Therefore, there was an overall increase in all working capital items (i.e. cash and cash equivalents, inventories, trade and other receivables, trade and other payables, and import loans) during the Track Record Period. The Group maintains cash and cash equivalent at a level sufficient to cover accounts payable due, import loans due, less accounts receivable due.

The Group historically has financed in part of its working capital through import loans, accounts payable and accounts receivable. The creditor turnover days for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were 58 days, 65 days, 68 days and 57 days, respectively. The debtor turnover days for the three years ended 31 December 2010 and in the six months ended 30 June 2011 were 50 days, 50 days, 52 days and 52 days, respectively. The Directors intend to continue to finance in part of its working capital in the same manner in the future and do not expect to have implication on the Group's dividend policy.

Net current assets position continuously increased from approximately HK$271 million as at 31 December 2008 to approximately HK$496 million as at 30 June 2011 primarily due to the increase in retained profits after distribution of dividends to shareholders during the Track Record Period.

CERTAIN FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates indicated.

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
Current ratio(1)	1.2	1.2	1.2	1.3
Quick ratio(2)	0.8	0.8	0.8	0.7
Debt to equity ratio(3)	20%	7%	44%	77%
Returns on assets(4)	3.3%	5.1%	4.7%	N/A
Net returns on equity(5)	13.6%	20.5%	21.7%	N/A

Notes:

(1) Current ratio is calculated by dividing the total current assets by the total current liabilities.

(2) Quick ratio is calculated by dividing the total current assets minus inventory by the total current liabilities.

(3) Debt to equity ratio is calculated by dividing the net debt by the total equity. Net debts are defined to include all borrowings and payable incurred not in the ordinary course of business net of cash and cash equivalents.

(4) Return on assets equals profits for the year/period divided by the average of the beginning and ending balance of total assets for the full financial year/period.

(5) Net return on equity equals profit attributable to the owners of the Company for the year/period divided by the average of the beginning and ending balance of equity attributable to the owners of the Company for the year/period.

Current Ratio and Quick Ratio

During the Track Record Period, current ratio and quick ratio remained stable at approximately 1.2 and 0.8 respectively. Current ratio and quick ratio is 1.3 and 0.7 as at 30 June 2011, respectively.

Debt to Equity Ratio

The substantial decrease in debt to equity ratio from 20% as at 31 December 2008 to 7% as at 31 December 2009 was primarily contributed by (i) an increase in cash and cash equivalents of 123% due to net profit for the year, (ii) an increase in borrowings of 84% due to relaxation of credit control by the Group's bankers after the recovery of global economy, and (iii) an increase in total equity of 20% as a result of net profit for the year.

The substantial increase in debt to equity ratio from 7% as at 31 December 2009 to 44% as at 31 December 2010 was primarily contributed by (i) an increase in borrowings of 31% as a net result of increase of inventory level to meet the customers' higher demand and increase of trade receivables and trade payables due to increase in the Group's operation, and (ii) an increase in total equity of 16% as a result of net profit and dividends distributed to the owners for the year.

The debt to equity ratio as at 30 June 2011 has been further increased to 77% since the cash and cash equivalent has declined by 47% from approximately HK$685 million as at 31 December 2010 to approximately HK$361 million as at 30 June 2011 to settle both trade payables and bank loans.

Return on Assets

The significant increase in return on assets from 3.3% in 2008 to 5.1% in 2009 was primarily due to an increase in profit for the year and average balance of total assets of 86% and 20% respectively. The average balance of total assets continuously increased as a result of the Group's increasing scale of operations. The significant increase in growth rate in profit for the year in 2009 was mainly due to continuous increase of net profit since the Group's business expansion in 2008 and a significant reduction of loss of the US subsidiary in 2009.

The decrease in return on assets from 5.1% in 2009 to 4.7% in 2010 was primarily due to an increase in profit for the year and average balance of total assets of 17% and 27% respectively. The average balance of total assets and net profit for the year continuously increased as a result of the Group's increasing scale of operations. The higher growth rate in total assets in 2010 was mainly caused by continuously increased in inventory level as detailed in subsection headed "Inventories" in this financial information above.

Net Return on Equity

The significant increase in net return on equity from 13.6% in 2008 to 20.5% in 2009 was primarily due to an increase in profit attributable to the owners of the Company and average balance of equity attributable to the owners of the Company of 72% and 14% respectively. The average balance of equity attributable to the owners of the Company continuously increased as a result of the Group's increasing scale of operations. The significant increase in growth rate in profit attributable to the owners of the Company in 2009 was mainly due to continuous increase of net profit since the Group's business expansion in 2008 and a significant reduction of loss of the US subsidiary in 2009.

Further increase in net return on equity from 20.5% in 2009 to 21.7% in 2010 was primarily due to an increase in profit attributable to the owners of the Company and average balance of equity attributable to the owners of the Company of 24% and 17% respectively.

INDEBTEDNESS

Borrowings

The table below sets forth details of borrowings as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Bank loans — secured	80,702	107,774	117,898	70,660	58,879
Import loans — secured	296,722	591,960	811,047	745,072	580,628
Discounted bills and factoring	10,750	14,946	5,946	13,867	45,014
	388,174	714,680	934,891	829,599	684,521

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

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
On demand or within one year	361,113	666,149	881,469	790,790	654,024
Due after one year					
More than one year, but not exceeding two years	14,726	24,242	47,760	22,040	18,832
More than two years, but not exceeding five years	12,335	24,289	5,662	16,769	11,665
	27,061	48,531	53,422	38,809	30,497
Total borrowings	388,174	714,680	934,891	829,599	684,521

Note: Under Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, term loans with an overriding right of repayment clause on demand by the banks irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations are classified as current liabilities. As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$27,061,000, HK$48,531,000, HK$53,422,000 and HK$38,809,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2008, 2009, 2010 and six months ended 30 June 2011 respectively.

The borrowings mainly comprised of bank loans and import loans. The Group financed certain of its purchase of property, plants and machinery by 3 to 5 years bank loans. The Group financed certain of its purchase of raw materials by import loans, which are normally due within 3 to 4 months after the settlement by the banks.

The increase in bank borrowings was predominantly in the form of import loans, which were mainly used to support business growth and the increment was in conjunction with the increases in sales revenue during the Track Record Period. Import loans were used to finance the purchase of materials. As at 31 December 2008, 2009, 2010 and 30 June 2011, balances of import loans were approximately HK$297 million, HK$592 million, HK$811 million and HK$745 million, respectively.

The borrowings increased from approximately HK$388 million as at 31 December 2008 to approximately HK$715 million as at 31 December 2009, and then to approximately HK$935 million as at 31 December 2010, were in line with the increase in the Group's scale of operations and also due to relaxation of credit control by the Group's bankers after the recovery of global economy in 2009. The borrowings decreased from approximately HK$935 million as at 31 December 2010 to approximately HK$830 million as at 30 June 2011 by approximately HK$105 million, which is mainly due to the repayment of bank loan and import loans.

The borrowings bear interest at floating effective interest rates ranging from 0.8% to 4.4%.

The Group's banking facilities are secured by (i) bank deposits of the Group (Year ended 31 December 2008, 2009 and 2010: approximately HK$4 million, HK$7 million and HK$7 million, respectively. Period ended 30 June 2011: approximately HK$7 million); (ii) unlimited joint and several guarantee from the directors, Wong Shik Ho Tony, Leung Wah Kan and Wong Fong Pak; (iii) bank deposit of a related company of ASK Group (Year ended 31 December 2008, 2009 and 2010: approximately HK$10 million, HK$1 million and HK$Nil, respectively. Period ended 30 June 2011: HK$Nil million); (iv) unlimited personal guarantee from non-controlling interests; and (v) unlimited corporate guarantees from a related company. In December 2010, items (iii) to (v) were released. The Directors confirmed that item (ii) will be released upon the Listing.

As at 31 October 2011, being approximately eight weeks prior to the date of the Prospectus for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this prospectus, the Group has a total available committed banking facilities of approximately HK$1,292 million, of which approximately HK$607 million have not been utilised. Save as aforesaid and apart from intra-group liabilities, bank borrowings and normal trade payables, the Group did not have any outstanding bank borrowings, bank overdrafts, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, or hire purchase commitments, acceptance liabilities (other than normal trade bills) or acceptance credits, any guarantees or other material contingent liabilities as at 30 June 2011.

Out of the said unutilised facilities, approximately HK$416 million was in respect of letter of credit, trust receipt and import loans, approximately HK$183 million was in respect of factoring services and approximately HK$8 million was in respect of overdraft facility. Banking facilities are generally reviewed annually by lending banks and are covered by bank facilities letters. The Group has banking facilities with Hang Seng Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank (Hong Kong) Limited and are due for review in September 2012, June 2012 and not specified, respectively. The aforementioned banking facilities are subject to the respective bank's overriding rights of repayment on demand.

The Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities from 30 June 2011 to the Latest Practicable Date.

Obligations under finance leases

The Group leases certain of its plant and machinery and office equipment during the Track Record Periods. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

The table below sets forth the future lease payments due as at the dates indicated.

	As at 31 December			As at 30 June	As at 31 October
	2008	**2009**	**2010**	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Total minimum lease payments					
— within one year	14	14	14	10	16
— more than one year but not later than five years	31	17	3	—	60
	45	31	17	10	76
Interest expense relating to future periods	—	—	—	—	—
Present value of the minimum lease payments	45	31	17	10	76
Present value of the minimum lease payments:					
— within one year	14	14	14	10	16
— more than one year but not later than five years	31	17	3	—	60
	45	31	17	10	76

The carrying amount of the Group's office and testing equipment and plant and machinery as at 31 December 2008, 2009, 2010 and 30 June 2011 includes an aggregate amount of approximately HK$37,000, HK$21,000, HK$10,000 and HK$2,000 respectively in respect of assets acquired under finance leases.

Operating lease arrangements

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	19,193	17,711	26,310	20,592
After one year but within five years	53,853	43,224	49,674	44,688
After five years	30,765	22,561	16,553	11,823
	103,811	83,496	92,537	77,103

Capital commitment

At 31 December 2008, 2009, 2010 and 30 June 2011, the Group had the following capital commitments in respect of:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for acquisition of property, plant and equipment but not provided	5,595	3,981	2,490	26,102

Contingent liabilities

As of the Latest Practicable Date, the Group did not have material contingent liabilities.

The Controlling Shareholders and Directors are not involved in any material legal proceedings.

Off-balance sheet commitments and arrangements

As of the Latest Practicable Date, the Group had not entered into any material off-balance sheet arrangement.

LIQUIDITY AND CAPITAL RESOURCES

The Group historically funded its operations primarily from cash flows from operating activities and bank borrowings. Its principal uses of cash have been, and are expected to continue to be, operational costs and capital expenditures.

The following table is a summary of the Group's cash flows during the Track Record Period.

	Year ended 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net cash generated from/ (used in) operating activities	148,221	399,457	60,361	(279,061)
Net cash used in investing activities	(69,403)	(38,408)	(24,247)	(6,044)
Net cash (used in)/generated from financing activities	(31,695)	14,413	(32,186)	(39,324)
Net increase/(decrease) in cash and cash equivalents	47,123	375,462	3,928	(324,429)
Cash and cash equivalents at beginning of year/period	258,717	305,816	681,272	685,240
Effect of exchange rate changes on cash and cash equivalents	(24)	(6)	40	(70)
Cash and cash equivalents at end of year/period	305,816	681,272	685,240	360,741

Net cash generated from operating activities

Net cash flow generated from operating activities reflects the profit before income tax, as adjusted for non-cash items, such as depreciation and amortisation, interest income/ expense and the effects of changes in working capital, such as increases or decreases in inventories, trade and other receivables, trade and other payables, import loans, interest and income tax payment.

The Group derives its cash inflow from its operating activities principally from the receipt of payments from sales of its products. Its cash outflow from operations mainly included the purchases of raw materials and operating expenditures.

For the six months ended 30 June 2011, net cash used in operating activities was HK$279.1 million, consisting of cash used in operations of HK$270.7 million, income tax paid of HK$2.6 million, as well as interest paid of HK$5.8 million. Cash used in operations primarily reflected the profit before income tax of HK$40.6 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital was mainly due to the decrease in import loans and trade and other payables by HK$66.0 million and HK$369.2 million respectively, as well as the increase in inventories by HK$34.7 million, and was partially offset by the decrease in trade and other receivables by HK$133.6 million, respectively. The decrease in trade and other payables and import loans were primarily due to faster settlement to suppliers and settlement of import loans on maturity.

For the year ended 31 December 2010, net cash generated from operating activities was HK$60.4 million, consisting of cash generated from operations of HK$106.5 million, income tax paid of HK$34.3 million, as well as interest paid of HK$11.8 million. Cash generated from operations primarily reflected the profit before income tax of HK$133.1 million, as adjusted for income statement items with no operating cash effect and the increase in working capital. The increase in working capital consisted primarily of the increase in inventories and trade and other receivables of HK$216.5 million and HK$219.9 million respectively, but was partially offset by the increase in trade and other payables and import loans of HK$194.6 million and HK$219.1 million respectively. The increases in inventories, trade and other receivables, trade and other payables and import loans were mainly due to the increase in business activities in 2010.

For the year ended 31 December 2009, net cash generated from operating activities was HK$399.5 million, consisting of cash generated from operations of HK$414.2 million, income tax paid of HK$4.2 million, as well as interest paid of HK$10.5 million. Cash generated from operations primarily reflected the profit before income tax of HK$115.5 million, as adjusted for income statement items with no operating cash effect and the decrease in working capital. The decrease in working capital consisted primarily of, the increase in trade and other payables and import loans of HK$212.1 million and

HK$295.2 million respectively, and the decrease in amount due from related companies of HK$33.9 million, but was partially offset by the increase in inventories and trade and other receivables of HK$218.0 million and HK$96.4 million respectively. The increases in inventories, trade and other receivables, trade and other payables and import loans were mainly due to the increase in business activities in 2009.

For the year ended 31 December 2008, net cash generated from operating activities was HK$148.2 million, consisting of cash generated from operations of HK$188.7 million, income tax paid of HK$21.2 million, as well as interest paid of HK$19.3 million. Cash generated from operations primarily reflected the profit before income tax of HK$65.0 million, as adjusted for income statement items with no operating cash effect and the decrease in working capital. The decrease in working capital consisted primarily of the decrease in trade and other receivables of HK$113.4 million but was offset by the decrease in import loans of HK$90.7 million as a result of the Group's tightening credit control in 2008.

Net cash used in investing activities

For the six months ended 30 June 2011, net cash used in investing activities was HK$6.0 million. Net cash outflows were mainly contributed by payment of HK$5.7 million for purchase of property, plant and equipment and disposal of a subsidiary with HK$1.3 million cash equivalents.

For the year ended 31 December 2010, net cash used in investing activities was HK$24.2 million. Net cash outflows mainly contributed by payment of HK$44.8 million for purchase of property, plant and equipment and payment of consideration of HK$13.5 million for acquisition of businesses, and partially offset by receipt of dividend income of HK$33.0 million.

For the year ended 31 December 2009, net cash used in investing activities was HK$38.4 million. Net cash outflows mainly contributed by payment of HK$35.5 million for purchase of property, plant and equipment.

For the year ended 31 December 2008, net cash used in investing activities was HK$69.4 million. Net cash outflows mainly contributed by payment of HK$38.3 million for purchase of property, plant and equipment and payment of consideration of HK$38.3 million for acquisition of businesses, and partially offset by proceeds of HK$7.0 million from disposal of other financial assets.

Net cash used in financing activities

For the six months ended 30 June 2011, net cash used in financing activities was HK$39.3 million. The cash outflows were primarily repayment of HK$47.2 million for bank loans, and were partially offset by the net proceeds of HK$7.9 million for discounted bills and factoring loans.

For the year ended 31 December 2010, net cash used in financing activities was HK$32.1 million. The cash outflows were primarily dividend payments of HK$40.2 million and net repayments for discounted bills and factoring loans of HK$9.0 million, and partially offset by contribution from non-controlling interests of HK$7 million and net proceeds from bank loans of HK$10.1 million.

For the year ended 31 December 2009, net cash generated from financing activities was HK$14.4 million. The cash inflows were primarily due to net proceeds of bank loans of HK$27.0 million and partially offset by dividend payment of HK$13.7 million.

For the year ended 31 December 2008, net cash used in financing activities was HK$31.7 million. The cash outflows were primarily due to net repayment of bank loans of HK$15.8 million and dividend payment of HK$13.8 million.

WORKING CAPITAL

Taking into account the Group's existing cash balances, operating cash flow, available banking facilities and estimated net proceeds from the Offering, the Directors confirm that the Group has sufficient working capital for its present requirements, capital expenditure after listing and for at least the next 12 months from the date of this prospectus.

FINANCIAL RISKS

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit. Ongoing evaluations are performed on the financial condition of trade customers. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for the Group's trade receivables. Total insured trade receivables accounted for approximately 57%, 49%, 48% and 56% of the Group's total trade receivables as at 31 December 2008, 2009, 2010 and 30 June 2011.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in Note 19 to the Accountants' Report in Appendix I of the Prospectus.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 31 December 2008, 2009, 2010 and 30 June 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would lead to a decrease/increase the Group's profit after tax for the years ended 31 December 2008, 2009, 2010 and for the six months ended 30 June 2011 by approximately HK$1,908,000, HK$2,254,000, HK$3,121,000 and HK$3,355,000, respectively.

Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

The following table details the Group's exposure at 31 December 2008, 2009, 2010 and 30 June 2011 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December						As at 30 June	
	2008		2009		2010		2011	
	United States dollar	Renminbi	United States dollar	Renminbi	United States dollar	Renminbi	United States dollar	Renminbi
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	599,107	1,710	630,325	2,005	751,794	6,855	738,406	22,155
Cash and cash equivalents	268,263	7,969	609,204	4,723	535,328	735	298,830	8,097
Trade and other payables	(440,120)	(16,972)	(657,322)	(24,174)	(756,976)	(3,613)	(508,839)	(75,617)
Borrowings	(104,350)	—	(479,175)	—	(535,163)	—	(472,358)	—
Overall net exposure	322,900	(7,293)	103,032	(17,446)	(5,017)	3,977	56,039	(45,365)

As at 31 December 2008, 2009, 2010, and 30 June 2011, if the US$ had strengthened/weakened by 5% against the HK$ with all other variables held constant, profit before income tax for the same periods would have been approximately HK$16.1 million higher/lower, HK$5.1 million higher/lower, HK$0.2 million higher/lower and HK$2.8 million higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of trade receivables, cash and cash equivalents, trade payables and borrowings denominated in US$.

As at 31 December 2008, 2009, 2010, and 30 June 2011, if the RMB had strengthened/weakened by 5% against the HK dollars with all other variables held constant, profit before income tax for the same periods would have been approximately HK$0.3 million lower/higher, HK$0.8 million lower/higher, HK$0.2 million lower/higher and HK$2.3 million higher/lower, respectively, mainly as a result of foreign exchange gains/losses on translation of other receivables, cash and cash equivalents, trade and other payables denominated in RMB.

DERIVATIVE FINANCIAL INSTRUMENTS

During the Track Record Period, the Group's purchases of raw materials and components for its manufacturing, sales and borrowings were mainly made in US dollars and Hong Kong dollars. As Hong Kong dollar is currently pegged against US dollar, exposures of foreign currency fluctuations for the Group's sales, cost of materials and borrowings are minimal.

The Group's manufacturing activities are carried out in the PRC and its cost and expenses are principally denominated in RMB. Thus, the Group has significant exposures to foreign currency fluctuations in RMB. For the year ended 31 December 2008, 2009 and 2010, and for the six months ended 30 June 2011, the Group's average monthly cost and expenses paid in RMB were approximately RMB16.1 million, RMB16.6 million, RMB19.8 million and RMB21.5 million, respectively.

The Group has a treasury policy to provide guidelines on investment in financial instruments. The Group uses, inter alia, foreign exchange forward contracts, interest rate swap contracts and performance swap contracts for hedging against its foreign exchanges and interest rates risks. For interest rate swap contracts, the Group based its decisions on entering into such contracts on its anticipation of the potential rise in interest rates. Regarding RMB forward contracts, the Group based its decisions on entering into such contracts on the projection on the upcoming RMB exposure and information regarding potential appreciation in the RMB exchange rate.

At 31 December 2009, 2010, and 30 June 2011, the Group had forward foreign exchange contracts with a fair value of HK$790,000, HK$350,000 and HK$Nil, and performance swap contracts with a fair value of HK$311,000, HK$62,000 and HK$652,000 recognised as derivative financial assets respectively. At 31 December 2009, 2010, and 30 June 2011, the Group had interest rate swap contracts with a fair value of HK$143,000, HK$162,000 and HK$103,000 recognised as derivative financial liabilities.

The Group managed currency risk and interest rate risk through hedging by entering into foreign exchange forward contracts, performance swap contracts and interest rate swap contracts. The Group entered into such derivative contracts only with major banks operating in Hong Kong, namely The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank. As such, the Group considered it was exposed to minimal counterparty risk.

The chief financial officer and finance manager review balance sheet exposure and determine whether it is feasible to hedge the exposure economically. Both the chief financial officer and finance manager determine the Renminbi exposure by reviewing the monthly payables on Renminbi and demand forecast on Renminbi, and then propose the amount and the periods of the currency hedge to the chief executive officer and one other executive Director for approval. The Group has also entered into interest rate swap contracts to hedge against a specific term loan with floating interest rate. The chief financial officer and finance manager will review the latest economic situation and estimate the interest rate trends, and then propose the interest rate swap contract to executive Directors. Interest rate swap contracts are subject to the approval of the chief executive officer and one other executive Director.

The Group entered into derivative financial instruments to minimise potential foreign exchange losses due to balance sheet exposures as well as interest costs in case interest rates increase. The objective is to minimise the exposure on exchange losses and the financial impact of change of interest rates over the contract periods, which could adversely affect the Group's operating performance. The Group has realised gains on the derivative financial instruments of HK$0.5 million, HK$0.7 million, HK$1.3 million, and HK$0.6 million for the three years ended 31 December 2010 and the six months ended 30 June 2011, respectively. The gains did not represent significant amounts in the Group's profit since the objective of entering into the derivative financial instruments is to hedge against the potential increase in cost on currency and interest during the Track Record Period.

The Group did not carry out any speculative trading in financial instruments during the Track Record Period.

The Group has no plan to carry out speculative trading in financial instruments.

Please refer to the section headed "Directors, senior management and staff" of this prospectus for biographical information of the chief financial officer. The accounting manager, responsible for accounting functions and treasury operations, joined the Group in July 1997 and was qualified by experience. Both the chief financial officer and the finance manager do not have experience in investment management.

(a) Foreign exchange forward contracts

The foreign exchange forward contracts are settled at specific time intervals and the major terms of the contracts as at 31 December 2009, 2010, and 30 June 2011 are as follows:

Notional amount	Trade dates	Contracted exchange rates	Fair value As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
			HK$'000	*HK$'000*	*HK$'000*
US$1,000,000	16 March 2009	HK$7.85 or CNY6.995	691	—	—
US$1,000,000	8 June 2009	CNY6.3 to CNY6.89	99	—	—
US$2,000,000	30 June 2010 to 31 May 2011	US$1 to CNY6.9	—	350	—
			790	350	—

(b) Performance swap contract

Notional amount	Trade dates	Contracted exchange rates	Fair value As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
			HK$'000	*HK$'000*	*HK$'000*
HK$50,000,000 (Interest rate swap portion) and US$3,600,000 (Foreign Exchange portion)	4 August 2009 to 7 February 2011	HKD-HIBOR-HKAB/US$1 to CNY7	311	62	—
US$2,000,000	12 April 2011 to 7 March 2013	CNY5.95 to CNY6.6	—	—	652
			311	62	652

(c) Interest rate swap contract

			Fair value		
Notional amount	**Trade dates**	**Contracted interest rates/ strike rates**	**As at 31 December 2009**	**As at 31 December 2010**	**As at 30 June 2011**
			HK$'000	*HK$'000*	*HK$'000*
HK$20,000,000	9 March 2009 to 11 March 2013	1.84% p.a.	(143)	(162)	(103)

RELATED PARTY TRANSACTION

During the Track Record Period, the Group entered into various transactions with its related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. The Directors are of the view that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business. For details of the related party transaction, please refer to note 33 of the Accountants' Report included as Appendix I to this prospectus.

The Directors confirm that all balances with the related parties which are non-trade in nature were fully settled as at the Latest Practicable Date.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited ("Jones Lang"), an independent property valuer, has valued the property interests of the Group as at 30 September 2011. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this prospectus.

As required under Rule 5.07 of the Listing Rules, the table below sets forth reconciliation of the net book value of the Group's property interests from the audited combined financial information as at 30 June 2011 to their value as at 30 September 2011 as stated in Appendix III to this prospectus:

	HK$'000
Net book value of property interest as at 30 June 2011	990
Depreciation for the three months ended 30 September 2011	(7)
Net book value of property interest as at 30 September 2011	983
Valuation surplus as at 31 August 2011	5,827
Valuation as at 30 September 2011 per Appendix III in this Prospectus	6,810

DIVIDENDS

Subject to the Companies Law, the Group may declare dividends at a general meeting of the shareholders in any currency but no dividend shall be declared in excess of the amount recommended by the Board. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Group on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of the Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- its earnings and profitability;
- its general business condition;
- its financial condition;
- its operating requirements;

- its capital requirements;
- cash demand and cash flow;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

Distributions from its subsidiary companies may also be restricted if they incur losses or by any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

Any dividends on the Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a fiscal year will be subject to the Shareholders' approval.

The Group's future dividend policy is that approximately 30% to 40% of its profits available for distribution will be recommended for distribution for each financial year. There is no assurance that dividends of any amount will be declared or distributed in any year.

During the Track Record Period, the Group's subsidiaries paid approximately HK$13.7 million and HK$31.3 million in dividends to their then shareholders for profits generated in the financial year ended 31 December 2008 and 2009, respectively. For the financial year ended 31 December 2010, dividend declared amounted to HK$66.5 million, of which HK$35.2 million was considered to be normal annual dividend following the normal approximately 30% payout rate and the balance of HK$31.5 million was considered as a special dividend. As of 31 October 2011, HK$15 million out of the HK$66.5 million declared dividends had been paid and the balance is expected to be paid before the Listing. The said dividend payment will be funded by internal cashflow of the Group. The Directors consider that there would not be adverse effect on the sufficiency of working capital of the Group after the payment of the said dividend. Historically, the Group made payment of dividends based on its business and financial conditions as well as interests of the Shareholders at that time. All dividends payable for each year or period during the Track Record Period were settled at the Latest Practicable Date. The principal source of funding for such dividend payments was from the cash inflow generated from the operations.

DISTRIBUTABLE RESERVES

As at 30 June 2011, being the date to which the latest audited financial statements of the Group were made up, the Company had no distributable reserve available for distribution to the Shareholders.

UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rule is for illustration purposes only, and is set forth here to illustrate the effect of the Offering on the combined net tangible assets as at 30 June 2011 as if it had taken place on 30 June 2011.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets as at 30 June 2011 or any future date following the Offering. It is prepared based on the audited combined net assets as at 30 June 2011 as derived from the combined financial information set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to equity shareholders of our Company as at 30 June 2011[1]	Estimated net proceeds from the Offering[3]	Unaudited pro forma net tangible assets	Unaudited pro forma net tangible assets per Share[4]/[5]
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.60 per Share	574,203	109,200	683,403	1.64

Notes:

1. The combined net tangible assets attributable to the equity shareholders of our Company as of 30 June 2011 is derived from the combined net assets attributable to the equity shareholders of our Company as of 30 June 2011 of HK$583,423,000 as reported in the Accountants' Report set out in Appendix I to this Prospectus, after deducting intangible assets of HK$9,220,000.

2. The estimated net proceeds from the Offering are based on the hypothetical Offer Price of HK$1.60 per Offer Share, assuming no exercise of the Over-allotment Option, after deduction of the underwriting fees and estimated expenses payable by us in connection with the Offering.

3. The unaudited pro forma net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 417,518,668 Shares expected to be in issue immediately following the completion of the Offering, taking no account for the Share which may be issued pursuant to any exercise of the Over-allotment Option.

4. By comparing the valuation of our Company's property interests of HK$6,810,000 as set out in Appendix III to this Prospectus and the unaudited net book value of these properties as of 30 June 2011 the net valuation surplus is approximately HK$5,824,000, which has not been included in the above net tangible assets attributable to equity shareholders of our Company as of 30 June 2011. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately HK$162,000 per annum related to leasehold land and buildings would be recorded.

5. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2011. In particular, the unaudited pro forma net tangible assets of the Group attributable to the owners of the Company does not take into account the dividend of approximately HK$66.5 million declared by the board of PC Partner Holdings on 28 July 2011, of which HK$15,648,000 was paid to the shareholders on 1 August 2011.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date there was no circumstance that would give rise to the disclosure requirements under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

From the end of the Track Record Period to 31 October 2011, based on the Group's management accounts, the Group experienced a decrease in the average monthly sales revenue from the European Union countries as compared with that from the same regions recognised in the first six months of 2011. However, the increase in sales revenue from other geographic areas over the same period has to a large extent offset the said decrease.

The Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 30 June 2011 (being the date to which the latest audited financial statements of the Group were made up).

FUTURE PLANS

See the section headed "Business — Business strategies" in this prospectus for a detailed description of the Group's future plans.

USE OF PROCEEDS

The Company estimates that the aggregate net proceeds from the Offering, based on an Offer Price of HK$1.60 per Offer Share, will be approximately HK$109 million, assuming the Over-allotment Option is not exercised and after deducting proceeds from the Sale Shares, underwriting fees and commissions and estimated expenses payable by the Company in connection with the Offering. The Company estimates the aggregate net proceeds from the Offering, based on an Offer Price of HK$1.60 per Offer Share, will be approximately HK$134 million, assuming the Over-allotment Option is fully exercised and after deducting underwriting commissions and estimated expenses payable by the Company in connection with the Offering. The Group intends to use such net proceeds as follows:

1. Approximately HK$46 million, or approximately 42.2% of the estimated net proceeds, will be used to expand the Group's SMT production capacity and efficiency by acquiring SMT machineries, equipment and relevant technology. The machinery and equipment include automatic printers, component mounters, IC mounters, soldering systems and automatic optical inspection systems. The installation of such machinery and equipment are planned to be rolled out in 2012 and 2013 and will increase the Group's SMT production capacity by approximately 2.76% (approximately 52,000 pcs. of components per hour) and approximately 7.19% (approximately 139,000 pcs. of components per hour), respectively on a year on year basis in 2012 and 2013. The aforementioned production equipment will be installed in existing vacant space within the premises of Dongguan Baineng.

2. Approximately HK$24 million, or approximately 22.0% of the estimated net proceeds, will be used to promote and develop new products, and brand building in 2012 and 2013, of which HK$10 million is intended to be utilised in the PRC and HK$14 million is intended to be utilised for the EMEAI market.

3. Approximately HK$24.0 million, or approximately 22.0% of the estimated net proceeds, will be invested in research and development of peripheral products for mobile computing devices and future generations of mini-PC including recruiting hardware and software design talents, acquiring industrial and plastic molding design equipment and licenses of operating system development kits and design software over three years in 2012, 2013 and 2014.

4. Approximately HK$5 million, or approximately 4.6% of the estimated net proceeds will be used to upgrade the existing Enterprise Resource Planning ("ERP") system and IT resources in order to achieve further improvements in operational excellence by hiring a qualified consulting firm to implement the upgrading, as well as by increasing IT resources to strengthen the Group's IT capability.

5. The balance of approximately HK$10 million, or approximately 9.2% of the estimated net proceeds, will be used for the Group's working capital requirements and general corporate purposes.

Assuming that the Over-allotment Option is exercised in full, the additional net proceeds shall be allocated pro rata towards items 1, 2 and 3.

To the extent that the net proceeds from the Offering are not immediately used for the above purposes, it is the Group's present intention that such net proceeds will be deposited into interest-bearing accounts with licenced banks and/or financial institutions.

UNDERWRITERS

Public Offer Underwriters

WAG Worldsec Corporate Finance Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Luen Fat Securities Company Limited
6th Floor, New Henry House
10 Ice House Street
Central
Hong Kong

Good Harvest Securities Company Limited
7/F, Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offering

Public Offer Underwriting Agreement

Pursuant to the Public Offering, the Company is offering the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the application forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe or procure subscribers for (as the case may be) their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offering on the terms and subject to the conditions of this prospectus, the application forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the Placing Underwriting Agreement having been executed and becoming unconditional and not having been terminated.

Grounds for termination

If, in the sole and absolute discretion of the Sponsor, any of the following events occurs at or prior to 8:00 a.m. on the Listing Date, then the Sponsor (for itself and on behalf of the Public Offer Underwriters) may, at its sole and absolute discretion, upon giving notice in writing to the Company (with a copy of such notice to Luen Fat and each of the Public Offer Underwriters) in accordance with the Public Offer Underwriting Agreement, terminate the Public Offer Underwriting Agreement with immediate effect:

1. there has come to the notice of the Sponsor:

    (i) that any statement contained in, inter alia, this prospectus and the Application Forms, was, when it was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed therein is not, in the sole and absolute opinion of the Sponsor, in all respects fair and honest and based on reasonable assumptions, when taken as a whole; or

    (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom; or

    (iii) any breach of any of the obligations imposed upon any party (other than the Sponsor, Luen Fat or any Public Offer Underwriters) to the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on the part of the Sponsor, the Luen Fat or any of the Underwriters); or

    (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the "Warrantors" named in the Public Offer Underwriting Agreement pursuant to the indemnity provision in the Public Offer Underwriting Agreement; or

    (v) any change or development involving a prospective change in the conditions, assets, liabilities, business affairs, prospects, profits, losses, the risks relating to or the financial or trading position or performance of any member of the Group (each a "Group Company"); or

    (vi) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties contained in the Public Offer Underwriting Agreement; or

(vii) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) the Company withdraws, inter alia, this prospectus (and any other documents used in connection with the Offering) or the Offering; or

(ix) any person (other than the Sponsor, Luen Fat and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus or any other documents used in connection with the Offering, or to the issue of any of such documents.

2. there shall develop, occur, exist or come into effect:

(i) any event, or series of events beyond the reasonable control of the Public Offer Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics including Severe Acute Respiratory Syndrome, pandemic influenza, avian influenza (including H5N1), influenza A (H1N1) or such related or mutated forms, or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, regional, national, international, financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions (including without limitation any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the Tokyo Stock Exchange, the London Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar or RMB against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures in or affecting Hong Kong or anywhere in the world); or

(iii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any public regulatory, taxing, administrative or governmental agency or authority, any self-regulatory organisation or any securities exchange authority, other authority and any court at the national, provincial, municipal or local level of all relevant jurisdictions, including (without limitation) Hong Kong, the Cayman Islands, the British Virgin Islands, the United States, Macau and the PRC (as the case may be) ("Laws" and "Law" includes any one of them) or any change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any of its members) or any other jurisdictions relevant to any Group Company (the "**Specific Jurisdictions**"); or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the United States federal or New York state level or otherwise), the United Kingdom, the European Union (or any of its members), Japan or the PRC or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the United States or the European Union (or any member thereof) on any of the Specific Jurisdictions; or

(vi) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws in any of the Specific Jurisdictions or affecting an investment in the Shares; or

(vii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk factors" in this prospectus; or

(viii) any litigation or claim of any third party being threatened or instigated against any Group Company or any "Warrantors" named in the Public Offer Underwriting Agreement; or

(ix) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or

(x) the chairman or chief executive officer of the Company vacating his office; or

(xi) the commencement by any governmental, regulatory or political body or organisation of any public action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xii) a contravention by any Group Company of the Companies Ordinance or any of the Listing Rules or the applicable Laws; or

(xiii) a prohibition on the Company or the Selling Shareholder for whatever reason from allotting or selling the Offer Shares to be offered pursuant to the terms of the Offering; or

(xiv) non-compliance of, inter alia, this prospectus, (or any other documents used in connection with the subscription and purchase of the Offer Shares) or any aspect of the Offering with the Companies Ordinance, the Listing Rules or any other applicable Law; or

(xv) other than with the approval of the Sponsor and Luen Fat, the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the subscription or sale of the Offer Shares) pursuant to the Companies Ordinance or the Listing Rules; or

(xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity; or

(xvii) any loss or damage sustained by any Group Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xviii) a petition or an order is presented for the winding-up or liquidation of any Group Company or the Selling Shareholder, or any Group Company or the Selling Shareholder makes any composition or arrangement with its creditors or enters into a scheme of arrangement, or any resolution is passed for the winding-up of any Group Company or the Selling Shareholder, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or the Selling Shareholder, or anything analogous thereto occurs in respect of any Group Company or the Selling Shareholder,

which in each case or in aggregate in the sole and absolute opinion of the Sponsor (for itself and on behalf of the Public Offer Underwriters):

(a) is or will or could be expected to have an adverse effect on the general affairs, management, business, financial, trading or other condition or prospects or risks of the Company or the Group or any Group Company or on any present or prospective Shareholder in his, her or its capacity as such; or

(b) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Offering or the level of applications under the Public Offering or the level of interest under the Placing; or

(c) makes it inadvisable, inexpedient or impracticable for the Offering to proceed or to market the Offering; or

(d) would have the effect of making any part of the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (including underwriting) or any agreement between the Public Offer Underwriters and the Placing Underwriters incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Offering or pursuant to the underwriting thereof.

The Company undertakes to each of the Sponsor, Luen Fat and the Public Offer Underwriters that, and each of the executive Directors and the Controlling Shareholders has undertaken to procure that, inter alia, the Company and Selling Shareholder will comply in all respects with the terms and conditions of the Offering and, in particular, without limitation, except pursuant to the Offering, the Over-allotment Option and the exercise of options granted under the Pre-IPO Share Option Scheme or with the prior written consent of the Sponsor and Luen Fat (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, the Company will not, and will procure that its subsidiaries will not, allot or issue, or agree to allot or issue, Shares or other securities of the Company (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for Shares or securities that are convertible or exchangeable into

Shares or other securities of the Company, or repurchase Shares or other securities of the Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence or benefit of ownership of any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so during the six months immediately following the Listing Date, and in the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the executive Directors has jointly and severally undertaken to each of the Sponsor, Luen Fat, the Company and the Public Offer Underwriters under the Public Offer Underwriting Agreement that:

(i) during the period commencing the date of this prospectus and ending on the date which is six months from the Listing Date, he shall not, and shall procure that the relevant registered holder(s) and his associates and companies controlled by him and any nominee or trustee holding in trust for him shall not, without the prior written consent of the Sponsor and unless as a result of any exercise of the Over-allotment Option, or pursuant to the Placing or to any securities lending arrangements to be entered into with Luen Fat in connection with the Offering as contemplated in, inter alia, this prospectus, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge (except permitted under the Public Offer Underwriting Agreement), sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities of the Company as disclosed in this prospectus or any of its associates or companies controlled by him or any nominee or trustee holding in trust for him (the "Relevant Securities"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or benefit of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above; and

(ii) he shall, and shall procure that his associates and companies controlled by and nominees or trustees holding in trust for him shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him or by the registered holder controlled by him of any Shares.

Each of Daniel Kearney, Lee Ming Wai David and Kingdom Right Limited has also separately given the abovesaid undertaking to the Company, the Sponsor, Luen Fat and the Public Offer Underwriters.

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sponsor, Luen Fat, the Company and the Public Offer Underwriters under the Public Offer Underwriting Agreement that:

(i) during the period commencing the date of this prospectus and ending on the date which is six months from the Listing Date (the "First Period"), she/it shall not, and shall procure that the relevant registered holder(s) and her/its associates and companies controlled by her/it and any nominee or trustee holding in trust for her/it shall not, without the prior written consent of the Sponsor and unless as a result of any exercise of the Over-allotment Option, or pursuant to the Placing or to any securities lending arrangements to be entered into with Luen Fat in connection with the Offering as contemplated in, inter alia, this prospectus, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge (except permitted under the Public Offer Underwriting Agreement), sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any such Shares or such securities of the Company as disclosed in this prospectus to be beneficially owned by her/it or any of her/its associates or companies controlled by her/it or any nominee or trustee holding in trust for her/it (the "Controlling Shareholders' Relevant Securities"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or benefit of ownership of the Controlling Shareholders' Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such other securities, in cash or otherwise; or (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above;

(ii) she/it shall not, and shall procure that the relevant registered holder(s) and her/its associates or companies controlled by her/it and any nominee or trustee holding in trust for her/it shall not, without the prior written consent of the Stock Exchange in the six-month period commencing on the expiry of the First Period set out in paragraph (i) above (the "Second Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Controlling Shareholders' Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or would together with the other Controlling Shareholders cease to be a controlling shareholder (as defined in the Listing Rules) of the Company;

(iii) in the event of a disposal of any Shares or securities of the Company or any interest therein within the Second Period, she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of the Company; and

(iv) she/it shall, and shall procure that her/its associates and companies controlled by and nominees or trustees holding in trust for her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by her/it or by the registered holder controlled by her/it of any Shares.

Each of the Controlling Shareholders and executive Directors has further undertaken under the Public Offer Underwriting Agreement (and each of Daniel Kearney, Lee Ming Wai David and Kingdom Right Limited has separately undertaken) to each of the Company, the Sponsor, Luen Fat and the Public Offer Underwriters that, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges any securities or interests in the Relevant Securities or the Controlling Shareholders' Relevant Securities (as the case may be) beneficially owned by it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company, the Sponsor and Luen Fat in writing of such pledges or charges (as the case may be) together with the number of Shares or securities and nature of interest so pledged or charged; and

(ii) when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sponsor and Luen Fat in writing of such indication.

The Company will inform the Stock Exchange as soon as the Company has been informed of the above matters (if any) by any of the Controlling Shareholders and the executive Directors and disclose such matters by way of an announcement.

The Placing

In connection with the Placing, it is expected that, inter alia, the Company, the Selling Shareholder and the Placing Underwriters will enter into the Placing Underwriting Agreement. Under the Placing Underwriting Agreement, the Placing Underwriters will severally agree to subscribe and/or procure subscribers to acquire all the Shares to be sold in the Placing.

The Company is expected to grant to the Placing Underwriters the Over-allotment Option, exercisable in whole or in part from time to time by Luen Fat in its discretion and on behalf of the Placing Underwriters within 30 days from the last date for lodging applications under the Public Offering, to require the Company to issue up to an aggregate of 15,750,000 additional Shares, representing in aggregate 15% of the Offer Shares initially available under the Offering, at the same price per Share under the Placing for the purpose of covering over-allocations, if any, in the Placing.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Public Offer Shares reallocated to the Placing, the Company will pay an underwriting commission at the rate applicable to the Placing and such commission will be paid to Luen Fat and the relevant Placing Underwriters (but not the Public Offer Underwriters). The Sponsor will receive a sponsor's fee in relation to the Listing. For any Placing Shares reallocated to the Public Offering due to an over-subscription of the Public Offering (whilst the Placing is not undersubscribed), the Company will pay an underwriting commission, at the rate applicable to the Placing, to the Placing Underwriters under the Placing.

The aggregate underwriting commissions and fees, together with listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Offering are estimated to amount to approximately HK$34 million (assuming that the Over-allotment Option is not exercised) and will be payable by the Company as to approximately HK$30 million and the Selling Shareholder as to approximately HK$4 million. The Company will also pay for all commission and related fees and expenses in relation to any exercise of the Over-allotment Option.

Public Offer Underwriters' interests in the Company

Save for the Public Offer Underwriters' obligations under the Public Offer Underwriting Agreement and, if the Stock Borrowing Agreement is entered into, Luen Fat's interest thereunder and save as otherwise disclosed in this prospectus, none of the Sponsor, Luen Fat and the Public Offer Underwriters is legally or beneficially interested in any Shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group or any interest in the Offering.

Sponsor's independence

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price is HK$1.60 per Share. Based on the Offer Price plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, one board lot of 2,000 Shares will amount to a total of HK$3,232.26.

CONDITIONS

Acceptance of all applications for the Offer Shares in the Offering will be conditional upon:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option); and

(ii) the execution and delivery of the Placing Underwriting Agreement by the parties thereto on or before 6 January 2012; and

(iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise, prior to 8:00 a.m. on the day on which the Shares commence trading on the Main Board,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent that the relevant deadline is extended or the relevant conditions, where applicable, are waived on or before such dates and times) and in any event not later than Saturday, 28 January 2012, being the 30th day after the date of this prospectus.

If, for any reason, the Placing Underwriting Agreement is not entered into, the Offering will not proceed.

The consummation of each of the Public Offering and the Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

In the event that the Offering lapses, notice of the lapse will be published by the Company in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares" in this prospectus.

In the meantime, application monies will be held in a separate bank account with Horsford Nominees Limited or any other licensed bank(s) in Hong Kong.

OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

The Offering

The Offering consists of the Placing and the Public Offering. The 105,000,000 Shares initially offered will comprise 94,500,000 Shares being offered under the Placing (being 76,500,000 New Shares offered for subscription by our Company and 18,000,000 Sale Shares offered for sale by the Selling Shareholder) and 10,500,000 Shares being offered under the Public Offering. The 105,000,000 Shares being offered under the Offering will represent approximately 25.15% of the Company's enlarged share capital immediately after the completion of the Offering (without taking into account exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 10,500,000 Shares, representing 10% of the total number of Shares initially being offered under the Offering, will be offered to the public in Hong Kong under the Public Offering. The Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

Out of the total 105,000,000 Shares offered pursuant to the Offering, 94,500,000 Shares, representing 90% of the total number of Shares initially being offered under the Offering, will be offered under the Placing to professional, institutional and/or other investors in Hong Kong.

Investors may apply for Shares under the Public Offering or indicate an interest for Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offering from investors that received Shares under the Placing, and to identify and reject indications of interest in the Placing from investors that received Public Offer Shares.

The number of Shares to be offered under the Public Offering and the Placing are subject to reallocation and, in the case of the Placing only, subject to the Over-allotment Option, as described below.

If the Over-allotment Option is exercised in full, the Shares comprised in the Offering will represent approximately 27.87% of the enlarged issued share capital of the Company immediately after the completion of the Offering and the exercise of the Over-allotment Option.

The levels of indication of interest in the Placing and the basis of allocation and the level of applications under the Public Offering are expected to be published in South China Morning Post (in English) and in Hong Kong Economic Journal (in Chinese) on or before Wednesday, 11 January 2012.

The Placing

Under the Placing, the Company will initially be offering 76,500,000 New Shares for subscription and the Selling Shareholder will be offering 18,000,000 Sale Shares for sale, and such Shares together represent 90% of the total number of Shares initially available under the Offering (assuming the Over-allotment Option is not exercised). The Placing is fully underwritten by the Placing Underwriters, subject to the terms and conditions of the Placing Underwriting Agreement.

The Placing Underwriters (other than WAG Worldsec) will be soliciting from prospective professional and institutional and other investors indications of interest in acquiring the Placing Shares under the Placing. Professional and/or institutional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and/or other securities and corporate entities which regularly invest in shares and/or other securities. In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offering, as retail investors applying for the Placing Shares, including retail investors applying through banks and/or other institutions, are unlikely to be allocated any Placing Shares.

Allocation of the Placing Shares to investors pursuant to the Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its Shareholders taken as a whole.

Professional and institutional investors may apply for Offer Shares under the Public Offering or receive Offer Shares under the Placing. However, such investor will only receive Offer Shares under either the Public Offering or the Placing, but not both.

The Placing is conditional on the same conditions as set out in the paragraph headed "Conditions" above. The total number of Placing Shares to be allotted and issued pursuant to the Placing may change as a result of the clawback arrangement referred to in the paragraph headed "Reallocation of the Offer Shares between the Public Offering and the Placing" below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offering.

The Public Offering

The Company is initially offering 10,500,000 Public Offer Shares, representing approximately 10% of the total number of Shares initially available under the Offering (assuming the Over-allotment Option is not exercised), for subscription to the public in Hong Kong at the Offer Price. The Public Offering is fully underwritten by the Public Offer Underwriters, subject to the terms and conditions of the Public Offer Underwriting Agreement.

Allocation of the Public Offer Shares to investors under the Public Offering will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. This may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Shares available for subscription under the Public Offering (after taking into account any reallocation of Offer Shares between the Placing and the Public Offering referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Shares with an aggregate subscription price of HK$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to successful applicants who have applied for Shares with an aggregate subscription price of more than HK$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares in either pool A or pool B initially being offered for subscription pursuant to the Public Offering will be rejected at the discretion of the Sponsor and Luen Fat on behalf of the Company. Each applicant under the Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not indicated and will not indicate an interest for and have not received or been placed or allotted (including conditionally and/or provisionally) Shares under or otherwise participated in the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

Reallocation of the Offer Shares between the Public Offering and the Placing

The allocation of the Offer Shares between the Public Offering and the Placing is subject to adjustment. If the number of Shares validly applied for under the Public Offering represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offering, then Shares will be reallocated to the Public Offering from the Placing so that the total number of Shares available for subscription under the Public Offering will increase to 31,500,000 Shares, representing 30% of the Shares initially available for subscription under the Offering. If the number of Shares validly applied for under the Public Offering represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offering, then the number of Shares to be reallocated to the Public Offering from the Placing will be increased so that the total number of Shares available for subscription under the Public Offering will be 42,000,000 Shares, representing 40% of the Shares initially available for subscription under the Offering. If the number of Shares validly applied for under the Public Offering represents 100 times or more of the number of Shares initially available for subscription under the Public Offering, then the number of Shares to be reallocated to the Public Offering from the Placing will be increased, so that the total number of Shares available for subscription under the Public Offering will increase to 52,500,000 Shares, representing 50% of the Shares initially available for subscription under the Offering. In each such case, the additional Shares reallocated to the Public Offering will be allocated equally between pool A and pool B.

The Placing Shares being offered in the Placing may be made available as additional Public Offer Shares at the discretion of Luen Fat (who, before exercising such discretion, shall have obtained the Sponsor's prior written consent in respect thereof) (on behalf of the Underwriters) to satisfy valid applications made pursuant to the Public Offering.

In addition, if the Public Offering is not fully subscribed, Luen Fat (on behalf of the Underwriters) at its discretion (who, before exercising such discretion, shall have obtained the Sponsor's prior written consent is respect thereof) may reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offering to the Placing as it deems appropriate.

The number of Placing Shares available under the Placing will be correspondingly reduced or increased (as the case may be) as a result of reallocation (if any) described above.

OVER-ALLOTMENT AND STABILISATION

Over-allotment Option

Pursuant to the Placing Underwriting Agreement, the Company is expected to grant the Placing Underwriters a right (but not an obligation) exercisable by Luen Fat to exercise the Over-allotment Option no later than 30 days from the last day for lodging applications under the Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 15,750,000 additional Shares, representing 15% of the total number of Shares initially available under the Offering, in connection with over-allocations in the Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares so issued will represent approximately 3.64% of the Company's enlarged issued share capital following the completion of the Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

Stabilisation action

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Offering, Luen Fat (or any person acting for it), as stabilising manager, may, but is not obliged to, over-allocate and/or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period. Such transactions, if commenced, may be discontinued at any time and is required to be brought to an end after a limited period. Luen Fat has been appointed as stabilising manager for the purpose of the Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising action be effected in connection with the Offering, this will be at the sole and absolute discretion of Luen Fat and will be effected in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Public Offering. The stabilisation period is expected to expire on 4 February 2012.

Following any over-allocation of Shares in connection with the Offering, Luen Fat or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market and/or exercising the Over-allotment Option. Any such purchases will be made in compliance with all applicable rules and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 15,750,000 Shares, representing 15% of the number of Shares initially available under the Offering.

In order to facilitate the over-allocations in connection with the Offering, Luen Fat may choose to borrow up to 15,750,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from the Selling Shareholder pursuant to the Stock Borrowing Agreement, or acquire Shares from other sources.

If the Stock Borrowing Agreement is entered into, the transactions contemplated thereunder will only be effected by Luen Fat or its agent for settlement of over-allocations in the Placing and such arrangement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholders for a certain period of time subsequent to the date of this prospectus, provided that the following requirements of Rule 10.07(3) of the Listing Rules (which are also contained in the Stock Borrowing Agreement) are complied with:

(i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed thereunder must not exceed the maximum number of Shares which may be issued upon full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned at or before 5:00 p.m. on the fifth business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the date on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed between Luen Fat and the Selling Shareholder;

(iv) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments will be made to the Selling Shareholder by Luen Fat or its affiliates or any person acting for it, in relation to such Stock Borrowing Agreement.

The possible stabilising action which may be taken by Luen Fat in connection with the Offering may involve (among other things) (i) over-allocation of Shares; (ii) purchases of Shares; (iii) establishing, hedging and liquidating positions in Shares; (iv) exercising the Over-allotment Option in whole or in part; and/or (v) offering or attempting to do any of the foregoing.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- Luen Fat or its affiliates or any person acting for it may, in connection with any stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which any of the abovementioned persons will maintain such a position;

- liquidation of any such long position by any of the abovementioned persons may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price and will expire on the 30th day after the date expected to be the latest date for lodging applications under the Public Offering. Accordingly, the stabilisation period is expected to expire on 4 February 2012. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any securities of the Company (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

CHANNELS OF APPLYING FOR THE PUBLIC OFFER SHARES

There are three channels to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by (i) using a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the designated White Form eIPO Service Provider, referred to in this section as the "**White Form eIPO** service" or; (iii) by giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, **you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying using a WHITE or YELLOW Application Form** or applying online through **White Form eIPO** service or by giving **electronic application** instructions to HKSCC via CCASS.

WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;

If you wish to apply for Public Offer Shares online through the designated website at www.eipo.com.hk under the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sponsor and Luen Fat (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company, the Sponsor and Luen Fat (for itself and on behalf of the Public Offer Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Public Offer Shares are not available to existing beneficial owners of Shares, the Directors, or the chief executive officer or their respective associates or any other connected persons (as defined in Chapter 1 of the Listing Rules) of the Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of the Company immediately upon completion of the Share Offer.

You should also note that you may apply for Shares under the Public Offering or indicate an interest for Shares under the Placing, but may not do both.

WHICH APPLICATION CHANNEL YOU SHOULD USE

Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

You may apply for Public Offer Shares online through the **White Form eIPO** service. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

Instead of using a **YELLOW** Application Form, you may give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available for subscription by existing beneficial owners of the Shares, the Directors or chief executive of the Company or any of its subsidiaries or the associates of any of them, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of the Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of the Company immediately upon completion of the Offering.

WHERE TO COLLECT THE APPLICATION FORMS

Copies of this prospectus, together with the **WHITE** Application Forms, may be obtained during normal business hours from 9:00 a.m. on 29 December 2011 until 12:00 noon on 5 January 2012 from:

Hang Seng Bank Limited:

	Branch Name	**Address**
Hong Kong Island:	Head Office	83 Des Voeux Road Central
	North Point Branch	335 King Road, North Point
Kowloon:	Hankow Road Branch	4 Hankow Road, Tsimshatsui
	Mongkok Branch	677 Nathan Road, Mongkok

Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Island:	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Yan Ping Road Branch	G/F to 2/F, Fortune Centre, 4-48 Yun Ping Road, Causeway Bay, Hong Kong
Kowloon:	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Mei Foo Stage 1 Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage 1, Lai Chi Kok
New Territories:	Tai Po Branch	23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po
	New Town Plaza Branch	Shop 215 to 223, Phase I New Town Plaza, Shatin

The **YELLOW** Application Forms, together with copies of this prospectus, may be obtained during normal business hours from 9:00 a.m. on 29 December 2011 until 12:00 noon on 5 January 2012 at the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong. Your stockbroker may also have the **YELLOW** Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

If your application is made through a duly authorised attorney, the Company, the Sponsor, Luen Fat and/or their respective agents or nominees may accept it at their respective discretion, and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

You should note that by completing and submitting an Application Form, among other things:

(a) you confirm that you have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations save as set out in any supplement to this prospectus;

(b) you agree that none of the Company, the Sponsor, Luen Fat, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement thereto) and the Application Forms;

(c) you undertake and confirm that you (if the application is made for your benefit) or the person(s) or whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up, or indicate an interest for, any Placing Shares nor otherwise participated in the Placing; and

(d) you agree to disclose to the Company, the Sponsor and/or the Hong Kong Share Registrar, receiving bankers, Luen Fat, the Underwriters and their respective advisers and agents any personal data and any information which they require about you and the person(s) for whose benefit you have made the application.

In order for the **YELLOW** Application Form to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signature will be accepted:

(a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

— the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant ID in the appropriate box in the Application Form.

(b) if the application is made by an individual CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and

(ii) the individual CCASS Investor Participant must insert its CCASS Participant ID in the appropriate box in the Application Form.

(c) if the application is made by joint individual CCASS Investor Participants:

(i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all of the joint CCASS Investor Participants; and

(ii) the CCASS Participant ID must be inserted in the appropriate box in the Application Form.

(d) if the application is made by a corporate CCASS Investor Participant:

(i) the Application Form must contain the CCASS Investor Participant's company name and the Hong Kong business registration certificate number; and

(ii) the CCASS Participant ID must be inserted and the company chop (bearing the CCASS Investor Participant's company name) chopped in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant ID and/or company chop bearing its company name) or other similar matters may render your application invalid.

If your application is made through a duly authorised attorney, the Company, the Sponsor, Luen Fat and/or their respective agents or nominees may accept the application at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company, the Sponsor, Luen Fat and/or their respective agents or nominees will have full discretion to reject or accept any application, in full or in part, without assigning any reasons.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominee(s)" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

HOW TO APPLY THROUGH THE WHITE FORM eIPO SERVICE

General

(a) If you are an individual and meet the criteria set out in the paragraph headed "Who can apply for the Public Offer Shares" above in this section, you may apply through the **White Form eIPO** service by submitting an application online through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO** service, the Shares will be issued in your own name. You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO** service.

(b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to the Company.

(c) By submitting an application online to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

(d) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(e) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated White Form eIPO Service Provider to transfer the details of your application to the Company and its Hong Kong Share Registrar.

(f) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Public Offer Shares. Each application in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(g) You should submit an application online through the **White Form eIPO** service at the times set out in paragraph headed "Time for applying for the Public Offer Shares — White Form eIPO" below.

(h) You should make payment for your application made through the **White Form eIPO** service in accordance with the methods and instructions set out on the designated website at **www.eipo.com.hk**. If you do not make complete payment of the application monies (including any related fees) at or before 12:00 noon on 5 January 2012, or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" below in this section, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described on the designated website at **www.eipo.com.hk.**

(i) **Warning: The application for Public Offer Shares through the White Form eIPO service is only a facility provided by the designated White Form eIPO Service Provider to public investors. The Company, the Directors, the Sponsor, Luen Fat, the Underwriters and the designated White Form eIPO Service Provider take no responsibility for any such applications and provide no assurance that applications through the White Form eIPO service will be submitted to the Company or that you will be allotted any Public Offer Shares.**

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last minute for submitting applications in the Public Offering to submit your applications online. In the event that you have problems connecting to the designated website at **www.eipo.com.hk** for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted applications online and completed payment in full using the application reference number provided to you on the designated website at **www.eipo.com.hk**, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please refer to the paragraph headed "How many applications you may make for the Public Offer Shares" below in this section.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the selfserviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "PC PARTNER GROUP LIMITED" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Additional information

For the purposes of allocating the Public Offer Shares, each applicant submitting applications online through the **White Form eIPO** service to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk.**

Otherwise, any monies payable to you due to a refund shall be made pursuant to the arrangements described in the paragraph headed "Despatch/Collection of Share certificates and refund of application money" below in this section.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at **https://ip.ccass.com** (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Copies of this prospectus are available for collection from the above address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your broker or custodian to the Company and the Company's Hong Kong Share Registrar.

Application for the Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

— **agrees** that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

— **undertakes** and **agrees** to accept the Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

— **undertakes** and **confirms** that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;

— (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

— (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that person is duly authorised to give those instructions as that other person's agent;

— **understands** that the above declaration will be relied upon by the Company, the Directors, the Sponsor and Luen Fat in deciding whether or not to make any allotment of the Public Offer Shares in respect of the **electronic application instructions** given by that person and that person may be prosecuted if he makes a false declaration;

— **authorises** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

— **confirms** that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

— **confirms** that person has only relied on the information and representations in this prospectus (and any supplement thereto) in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;

— **agrees** that the Company, the Sponsor, Luen Fat, the Underwriters, their respective directors, officers, employees, advisers and any other parties involved in the Offering are not liable for the information and representations not so contained in this prospectus and any supplement thereto;

— **agrees** to disclose that person's personal data to the Company, its Hong Kong Share Registrar, receiving banker, advisor and agents, and any information which they may require about that person;

— **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;

— **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before Saturday, 28 January 2012, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Saturday, 28 January 2012 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may only revoke the application before the expiry of the fifth Business Day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

— **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instruction** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offering published by the Company;

— **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares;

— **agrees** with the Company (for itself and for the benefit of each of the Shareholders) that the Shares are freely transferable by the holders thereof; and

— **agrees** that person's application, any acceptance of it and the resulting contract will be governed by and constructed in accordance with the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, you each jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

— **instructed and authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for Public Offer Shares on your behalf;

— **instructed and authorised** HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;

— **instructed and authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Minimum subscription amount and permitted numbers

You may give or cause your broker or a custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. Further information in this regard is set forth under the paragraph headed "How many applications you may make for the Public Offer Shares" below in this section.

Allocation of the Public Offer Shares

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company and the Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The subscription of Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sponsor, Luen Fat and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participants will be allotted any Public Offer Shares. To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit the **WHITE** or **YELLOW** Application Form (as appropriate), or (ii) go to HKSCC's customer service centre to complete an application instruction input request form before 12:00 noon on 5 January 2012 or such later time as described under the paragraph headed "Effect of bad weather on the opening of the application lists" below.

HOW MANY APPLICATIONS YOU MAY MAKE FOR THE PUBLIC OFFER SHARES

There is only one situation where you may make more than one application for the Public Offer Shares. You may make more than one application for the Public Offer Shares if you are a nominee, in which case you may make an application by using a **WHITE** or **YELLOW** Application Form or by way of giving **electronic application instructions** to HKSCC via CCASS, and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the relevant Application Form marked "For nominee(s)" you must include:

— an account number; or

— some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each such beneficial owner. If you do not include this information, the application will be treated as being for your own benefit. **Otherwise, multiple applications are not allowed**.

It will be a term and condition of all applications that by completing and delivering an Application Form or by giving **electronic application instructions** to HKSCC via CCASS, you:

— if the application is made for your own benefit, warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by means of the **White Form eIPO** service or through giving **electronic application instructions** to HKSCC via CCASS;

— if you are an agent for another person, warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by means of the **White Form eIPO** service or through giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the relevant Application Form or apply by means of the **White Form eIPO** service or give **electronic application instructions** as that other person's agent.

Multiple applications or suspected multiple applications are liable to be rejected. All of your applications are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:

— make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by means of the **White Form eIPO** service or by way of giving **electronic application instructions** to HKSCC via CCASS;

— apply (whether individually or jointly with others) on one **WHITE** Application Form and one **YELLOW** Application Form or one **WHITE** or **YELLOW** Application Form and by means of the **White Form eIPO** service or by way of giving **electronic application instructions** to HKSCC via CCASS;

— apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by means of the **White Form eIPO** service or by way of giving **electronic application instructions** to HKSCC via CCASS for more than 100% of the Public Offer Shares initially available in either pool A or pool B for subscription under the Public Offering; or

— have applied for or taken up, or indicated an interest in or received or been placed or allocated (including, conditionally and/or provisionally) and will not apply for or take up or indicate an interest in or receive or be placed or allocated Placing Shares under the Placing or otherwise participated in the Placing and make application on **WHITE** or **YELLOW** Application Form or by means of the **White Form eIPO** service or by way of giving **electronic application instructions** to HKSCC via CCASS.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) or you have applied for or taken up or otherwise indicated an interest in Offer Shares under the Placing. If an application is made by an unlisted company and

— the principal business of that company is dealing in securities; and

— you exercise "statutory control" over that company,

then the application will be treated as being for your benefit.

An unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

— control the composition of the board of directors of that company; and/or

— control more than half the voting power of that company; and/or

— hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW MUCH ARE THE PUBLIC OFFER SHARES

The Offer Price is HK$1.60 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Public Offer Shares, you will pay HK$3,232.26. Each Application Form has a table showing the exact amount payable for certain numbers of the Public Offer Shares. You must pay the Offer Price, the brokerage, the Stock Exchange trading fee and the SFC transaction levy in full when you apply for the Public Offer Shares.

Your payment must be made by one cheque or one banker's cashier order and must comply with the terms of the related Application Forms (if you apply by an Application Form). Your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 5 January 2012. If your application is successful, the brokerage is paid to participants of the Stock Exchange, the transaction levy is paid to the Stock Exchange collecting on behalf of the SFC, and the trading fee is paid to the Stock Exchange. Details of the procedures for refund are contained below in the paragraph headed "Despatch/collection of Share certificates and refund of application money" in this section.

The Company will not issue temporary documents of title, evidence of title or receipt for payment.

TIME FOR APPLYING FOR THE PUBLIC OFFER SHARES

WHITE and YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on 5 January 2012, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below in this section.

Your completed Application Form, with payment in Hong Kong dollars for the full amount payable on application attached, should be deposited in the special collection boxes provided at any one of the branches of Standard Chartered Bank (Hong Kong) and Hang Seng Bank Limited listed under the paragraph headed "Where to collect the Application Forms" above at the following times:

Thursday, 29 December 2011 — 9:00 a.m. to 5 p.m.
Friday, 30 December 2011 — 9:00 a.m. to 5 p.m.
Saturday, 31 December 2011 — 9:00 a.m. to 1:00 p.m.
Tuesday, 3 January 2012 — 9:00 a.m. to 5 p.m.
Wednesday, 4 January 2012 — 9:00 a.m. to 5 p.m.
Thursday, 5 January 2012 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on 5 January 2012.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on 29 December 2011, until 11:30 a.m. on 5 January 2012, or such later time as described in the paragraph headed "Effect of bad weather on the opening of the application lists" below in this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on 5 January 2012, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "Effect of bad weather on the opening of the application lists" below in this section.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Thursday, 29 December 2011 — 9:00 a.m. to 8:30 p.m.(1)
Friday, 30 December 2011 — 8:00 a.m. to 8:30 p.m.(1)
Saturday, 31 December 2011 — 8:00 a.m. to 1:00 p.m.(1)
Tuesday, 3 January 2012 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 4 January 2012 — 8:00 a.m. to 8:30 p.m.(1)
Thursday, 5 January 2012 — 8:00 a.m.(1) to 12:00 noon

Note (1): These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on 29 December 2011 until 12:00 noon on 5 January 2012 (24 hours daily, except the last application date).

The latest time for inputting your electronic application instructions (if you are a CCASS Participant) is 12:00 noon on 5 January 2012 or, if the application lists are not open on that day, by the time and date stated under the paragraph headed "Effects of bad weather on the opening of the application lists" below in this section.

Application lists

Subject to the events as described in the paragraph headed "Effect of bad weather on the opening of the application lists" below in this section, the application lists will open at 11:45 a.m. and close at 12:00 noon on 5 January 2012.

No proceedings will be taken on application for the Shares and no allotment of any such Shares will be made until the closing of the application lists.

EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

— a tropical cyclone warning signal number 8 or above, or

— a "black" rainstorm warning signal

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 5 January 2012.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated the Public Offer Shares are set out in the notes attached to the related Application Forms, and you should read them carefully. You should note, in particular, the following situations in which the Public Offer Shares will not be allocated to you:

If your application is revoked

By depositing the **WHITE** or **YELLOW** Application Form or by applying online through **White Form eIPO** service or submitting **electronic application instructions** to HKSCC via CCASS, you agree that your application or the application made by HKSCC Nominees cannot be revoked on your behalf on or before Saturday, 28 January 2012.

This agreement will take effect as a collateral contract with the Company, and will become binding when you lodge your Application Form or apply online through **White Form eIPO** service or submit your **electronic application instructions** to HKSCC via CCASS and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Saturday, 28 January 2012 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked before the expiry of the fifth Business Day after the time of the opening of the application lists, if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicants have not been so notified, or if applicants have been so notified but have not withdrawn their applications in accordance with the procedure(s) to be notified, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made, is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. Acceptance of application which are not rejected will be constituted by notification in the announcement of the results of allocation and, where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to satisfaction of such conditions or the results of such ballot, respectively.

Full discretion of the Company or its agents to reject or accept your application

The Company and its agents have full discretion to reject or accept any application, or to accept only part of an application, and do not have to give any reason for any rejection or acceptance.

If your application is rejected

Your application will be rejected if:

— it is a multiple application or a suspected multiple application; or

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares. Reasonable steps will be taken to identify and reject applications in the Public Offering from investors who have received the Placing Shares; and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offering; or

— your Application Form is not completed correctly in accordance with the instructions printed thereon (if you apply by an Application Form); or

— your payment is not made correctly; or

— you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation; or

— you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Placing Shares; or

— the Company or any of its agents believes that by accepting your application, the Company would violate the applicable laws, rules or regulations of the jurisdiction in which your application is, or is suspected to have been, completed and/or signed or of any other jurisdiction, or would result in the Company not being able to satisfy the public float requirements under the Listing Rules applicable to the Company; or

— your application is for more than 100% of the Public Offer Shares initially available in pool A or pool B for public subscription under the Public Offering.

If your application is not accepted

Your application (including the part of an application made by HKSCC Nominees acting upon **electronic application instructions**) will not be accepted if either:

— the Public Offer Underwriting Agreement does not become unconditional; or

— the Public Offer Underwriting Agreement is terminated in accordance with its terms and conditions.

If the allotment of Public Offer Shares is void

Any allotment of the Public Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant the approval of the listing of, and permission to deal in, the Shares either:

— within three weeks from the closing date of the application lists; or

— within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest under the Placing, level of applications in the Public Offering, and the basis of allotment of the Public Offer Shares under the Public Offering on or before 11 January 2012 in South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the Company's website at **www.pcpartner.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

Results of allocations in the Public Offering, including the Hong Kong identity card/ passport/Hong Kong business registration certificate numbers of successful applicants (where supplied) and the number of Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC via CCASS will be made available at the times and dates and in the manner specified below:

— on the website of Computershare Hong Kong Investor Services Limited at www. iporesults.com.hk on a 24-hour basis from 8:00 a.m. on 11 January 2012 to 12:00 midnight on 17 January 2012. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application to search for his/her/its own allocation result;

— on the Company's website at **www.pcpartner.com** and the website of the Stock Exchange at **www.hkexnews.hk** on 11 January 2012 onwards;

— from the Company's Public Offering allocation results telephone enquiry hotline. Applicants may find out whether or not their applications have been successful and the number of Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from 11 January 2012 to 14 January 2012; and

— special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches of the receiving bank from 11 January 2012 to 13 January 2012 at the addresses set out in the paragraph headed "Where to collect the Application Forms" above in this section.

DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONEY

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on 11 January 2012. The Company will keep any interest accrued on your application monies (up till, in the case of monies to be refunded, the date of despatch of refund cheque).

Any certificate relating to the Offer Shares issued by the Company or deposited into CCASS prior to 8:00 a.m. on the Listing Date will only become valid certificate of title at 8:00 a.m. on the Listing Date if the Public Offering has become unconditional in all aspects and the Underwriting Agreements have not been terminated in accordance with its terms on or before 8:00 a.m. on the Listing Date.

Your application money, or an appropriate portion thereof, together with the related brokerage fee, Stock Exchange trading fee and the SFC transaction levy, will be refunded, without interest if:

— your application is rejected, not accepted or only accepted in part;

— the conditions of the Offering are not fulfilled in accordance with the section headed “Structure and conditions of the Offering” in this prospectus;

— any application is revoked or any allocation pursuant thereto has become void; or

— any of the reasons set forth under the paragraph headed “Circumstances in which you will not be allocated the Public Offer Shares” above in this section.

It is intended that special efforts will be made to avoid any undue delay in refunding application money where appropriate.

If you applied through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to the application payment account in the form of e-Refund payment instructions on 11 January 2012. If you apply through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on 11 January 2012 by ordinary post at your own risk.

If you have given **electronic application instructions**, your refund (if any) will be credited to your designated bank account or the designated bank account of the designated CCASS Participant through which you are applying on 11 January 2012. If you have instructed your designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on your behalf, you can check the amount of refund (if any) payable to you with that designated CCASS Participant. If you have applied as CCASS Investor Participant, you can check the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on 11 January 2012 or in the activity statement showing the amount of refund money credited to your designated bank account made available to you by HKSCC immediately after the credit of refund money to your bank account. All refunds of your application monies (including the related brokerage, the Stock Exchange trading fee and SFC transaction levy) will be credited to your designated bank account or the designated bank account of your broker or custodian on 11 January 2012.

You will receive one Share certificate for all the Public Offer Shares issued to you (except pursuant to applications made on **YELLOW** Application Forms or by giving **electronic application instructions** where the Share certificate will be deposited into CCASS as described below under the sub-paragraph headed "Deposit of Share certificates into CCASS" below).

Subject to the provisions mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on your Application Form:

— for applicants on **WHITE** Application Forms: (i) Share certificate for all the Public Offer Shares applied for, if your application is wholly successful; or (ii) Share certificate for the number of Public Offer Shares successfully applied for, if your application is partially successful; and/or

— for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the excess application money for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application money, if the application is wholly unsuccessful, in each case including related brokerage of 1%, the Stock Exchange trading fee of 0.005% and the transaction levy of 0.003% imposed by the SFC, without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of the refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

In a contingency situation involving a very high level of over-subscription, at the discretion of the Company and the Bookrunner, applications for certain small denominations of the Public Offer Shares may be eliminated in a pre-balloting. In such circumstances, the cheques or banker's cashier orders accompanying such applications on the Application Forms will not be presented for clearing.

Subject as mentioned below, refund cheques (if any) and Share certificates for successful applicants under **WHITE** Application Forms are expected to be despatched on 11 January 2012. The Company reserve the right to retain any share certificates and any excessive application money pending clearance of cheque(s) or banker's cashier order(s).

If you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** and have indicated your intention in your application to collect your refund cheque (where applicable) and/or (for applicants using **WHITE** Application Forms) Share certificate (where applicable) from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and have provided all information required for your application, or if you have applied for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect (where applicable) your refund cheque and/or (where applicable) Share certificate from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on 11 January 2012 from 9:00 a.m. to 1:00 p.m. or any other date notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you are an individual who opts for collection in person, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for collection in person, the authorised representative bearing a letter of authorisation from the corporation stamped with the corporation's chop must be presented for collection. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong Share Registrar. If you do not collect your Share certificate and/or refund cheque during the above period, they will be despatched promptly to you by ordinary post to the address as specified in your Application Form or the address specified in your application instructions to the designated **White Form eIPO** Service Provider at your own risk.

If you have applied for less than 1,000,000 Public Offer Shares by **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service or if you have applied for 1,000,000 Public Offer Shares or more on a **WHITE** or **YELLOW** Application Form but have not indicated in your Application Form that you wish to collect your Share certificate (where applicable) and/or refund cheque in person, the Share certificate and/or refund cheque (if applicable) will be sent to the address as stated on your Application Form or the address specified in your application instruction to the designated **White Form eIPO** Service Provider on 11 January 2012 or any other date notified by the Company in the newspapers as the date of despatch/collection of Share certificates/refund cheques by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the Final Offer Price being less than the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to the application payment account on or before 11 January 2012.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the Final Offer Price being less than the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or before 11 January 2012, by ordinary post and at your own risk.

Deposit of Share certificates into CCASS

If you apply for the Public Offer Shares using a **YELLOW** Application Form or by giving electronic application instructions via CCASS, and your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant's stock account or the stock account of your designated CCASS Participant as instructed by you on 11 January 2012, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) using **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS, you can check the number of the Public Offer Shares allotted to you with that CCASS Participant.

The Company expects to publish the application results of CCASS Investor Participants using **YELLOW** Application Form and the application results of CCASS Participants applying by giving electronic application instructions (and where the CCASS Participants is a broker or custodian, the Company shall include information relating to the beneficial owner, the Hong Kong identity card numbers, passport numbers or other identification code (Hong Kong business registration certificate number for corporations), if supplied) on 11 January 2012. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on 11 January 2012 or such other date as shall be determined by HKSCC or HKSCC Nominees. Applicants applying as CCASS Investor Participant by using **YELLOW** Application Form or by giving electronic application instructions can also check the result of application via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) using **YELLOW** Application Form or by giving electronic application instructions to HKSCC for Public Offer Shares for credit to the stock account of your designated CCASS Participant (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, you can check your new account balance via the CCASS Phone System and CCASS Internet System immediately after the credit of the Public Offer Shares to your stock account. HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

COMMENCEMENT OF DEALINGS IN THE SHARES

Subject to the events as described in the paragraph headed "Effect of bad weather on the opening of the application lists" above in this section, you may lodge your application for the Public Offer Shares by the various means as referred to in this section during the period from 29 December 2011 to 5 January 2012. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on 11 January 2012. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on 12 January 2012. Shares will be traded in board lots of 2,000 Shares.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

29 December 2011

The Directors
PC Partner Group Limited
WAG Worldsec Corporate Finance Limited

Dear Sirs,

We set out below our report on the financial information relating to PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined statements of comprehensive income, changes in equity and cash flows of the Group for each of the three years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011, together with the notes thereto (the "Combined Financial Information") for inclusion in the prospectus of the Company dated 29 December 2011 (the "Prospectus") in connection with the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 1 April 2010 and registered as an exempted company with limited liability under Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as detailed in note 1 of Section B below, which became effective on 21 December 2011, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation"). The Group is 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 based in Hong Kong, Macau, Korea and United States of America. The Company and its subsidiaries have adopted 31 December as their financial year-end date.

As at the date of this report, the particulars of the Company's subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest to the Group 31 December 2008	31 December 2009	31 December 2010	30 June 2011	Date of this report	Principal activities
				%	%	%	%	%	
Directly held:									
PC Partner Holdings Limited	British Virgin Islands ("BVI") 2 May 1997	Hong Kong	USD3,912,000	100	100	100	100	100	Investment holding
Indirectly held:									
Active Smart Limited	Hong Kong 15 February 1994	Hong Kong	HKD10,000	100	100	100	100	100	Trading of computer parts
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HKD10,000	60	60	60	60	100*	Trading of computer accessories
Double Hero Petroleum Factory Limited	Hong Kong 16 August 1994	Hong Kong	HKD50,000	100	100	100	100	100	Trading of computer parts
Excelsior Technology Limited	BVI 18 July 1997	Hong Kong	USD1	100	100	100	100	100	Investment holding
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HKD10,000	60	60	60	60	100	Trading of computer accessories
iSmart Global Technology Limited	BVI 5 November 2009	Hong Kong	USD100	N/A	75	75	75	75	Inactive
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HKD10,000	60	60	60	60	100*	Trading of computer accessories and computers
Max Profit Limited	BVI 23 March 1998	Hong Kong	USD50,000	100	100	100	100	100	Investment holding
PC Partner International Limited	BVI 10 July 2003	Hong Kong	USD1	100	100	100	100	100	Provision of marketing service
PC Partner Limited	Hong Kong 12 February 1988	Hong Kong	HKD26,520,000	100	100	100	100	100	Design, manufacture and sale of computer accessories and computers

* Subsequent to the Relevant Periods, the Company acquired the remaining interest of 40% of Ask Technology Group Limited and Manli Technology Group Limited for a consideration satisfied by the issue of 257,865 and 47,446 new shares of PC Partner Holdings Limited respectively. Details are set out in the subsection headed "Corporate Reorganisation" in Appendix V to the Prospectus.

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest to the Group 31 December 2008 %	31 December 2009 %	31 December 2010 %	30 June 2011 %	Date of this report %	Principal activities
Skyield Limited	BVI 2 January 2001	Hong Kong	USD1	100	100	100	100	100	Investment holding
Zotac International (Macao Commercial Offshore) Limited	Macau 20 September 2006	Macau	MOP100,000	100	100	100	100	100	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	N/A	N/A	100	100	100	Trading of computer accessories and computers
Zotac Technology Limited	Hong Kong 20 July 2005	Hong Kong	HKD1	100	100	100	100	100	Inactive
Zotac USA, Inc. (Nevada) ("Zotac Nevada")	United States of America 9 October 2007	US	USD200,000	60	60	60	100	100	Trading of computer accessories and computers
東莞栢能電子科技有限公司 *(Note)*	People's Republic of China ("PRC") 10 July 2009	PRC	USD18,539,250	N/A	100	100	100	100	Subcontracting of computer accessories and computers
東莞市天沛電子科技有限公司 *(Note)*	PRC 11 July 2008	PRC	RMB17,500,000	100	100	100	100	100	Subcontracting of computer accessories
汎達全球有限公司 *(Note)*	Taiwan 25 December 2008	Taiwan	TWD2,000,000	60	60	60	Nil	Nil	Trading of computer accessories

Notes:

All subsidiaries established in the PRC are wholly foreign owned enterprises.

汎達全球有限公司 was deregistered on 20 June 2011 and remains no interest in the Group. The deregistered subsidiary did not have any contribution to either the Group's turnover or operating results during the six months ended 30 June 2011.

No statutory financial statements have been prepared for the Company since its date of incorporation as it was newly incorporated and has not been involved in any significant business transactions since incorporation other than the Reorganisation.

No statutory financial statements have been prepared for those subsidiaries which were incorporated in the British Virgin Islands, United States of America, Korea and Taiwan as they were incorporated in jurisdictions where there are no statutory requirements. Financial statements during the Relevant Periods of the following companies have been audited by the following auditors:

Name of subsidiary	Financial period	Auditor
Excelsior Technology Limited	Year ended 31 December 2008	Ho & Lam CPA Limited (formerly known as William M.L.Ho & Co. Limited) ("Ho & Lam")
	Years ended 31 December 2009 and 2010	BDO Limited
Max Profit Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
PC Partner Holdings Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
PC Partner International Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Skyield Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Nala Sales Inc. (formerly known as Zotac USA, Inc. (California) ("Zotac California") and Zotac Nevada	Years ended 31 December 2008 and 2009	Liang & Co Accountancy Corporation
	Year ended 31 December 2010	Simon & Edward, LLP

The PRC and Macau statutory financial statements of the following subsidiaries for the Relevant Periods were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC and Macau enterprises and were audited by the following certified public accountants registered in the PRC and Macau.

Name of subsidiary	**Financial period**	**Auditor**
東莞市天沛電子科技有限公司	Period from 11 July 2008 (date of incorporation) to 31 December 2008	Not applicable *(Note)*
	Year ended 31 December 2009	Not applicable *(Note)*
	Year ended 31 December 2010	東莞市德信康會計師事務所有限公司
東莞栢能電子科技有限公司	Period from 10 July 2009 (date of incorporation) to 31 December 2009	東莞市東誠會計師事務所有限公司
	Year ended 31 December 2010	東莞市德信康會計師事務所有限公司
Zotac International (Macao Commercial Offshore) Limited	Years ended 31 December 2008, 2009 and 2010	Leong Kam Chung & Co., CPA

Note: No statutory financial statements of the company have been prepared as they are not required under the relevant rules and regulations in the PRC.

The statutory financial statements of companies incorporated in Hong Kong now comprising the Group were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited during the Relevant Periods by the following auditors:

Name of subsidiary	Financial period	Auditor
Active Smart Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
ASK Technology Group Limited	Period from 10 March 2008 (date of incorporation) to 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Double Hero Petroleum Factory Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Innovision Multimedia Limited	Period from 1 April 2008 to 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Manli Technology Group Limited	Period from 10 March 2008 (date of incorporation) to 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
PC Partner Limited	Year ended 31 December 2008	Ho & Lam
	Years ended 31 December 2009 and 2010	BDO Limited
Zotac Technology Limited	Years ended 31 December 2008, 2009 and 2010	Not applicable *(Note)*

Note: No statutory financial statements have been prepared as Zotac Technology Limited has not carried on any business during the Relevant Periods.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA.

The Combined Financial Information have been prepared based on the Underlying Financial Statements on the basis set out in note 1 of Section B below, for the purpose of preparing this report for inclusion in the Prospectus. No adjustments on the Underlying Financial Statements for the Relevant Periods are considered necessary for the purpose of preparing the Combined Financial Information. The Combined Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance (the "Companies Ordinance") and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The directors of the Company are responsible for the preparation and the true and fair presentation of the Combined Financial Information and the contents of the Prospectus in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Combined Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion on the Combined Financial Information, based on our audit, and to report our opinion to you.

For the purpose of this report, we have carried out an independent audit on the Combined Financial Information for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Combined Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group as at 31 December 2008, 2009 and 2010 and 30 June 2011 and of the combined results and combined cash flows of the Group for the Relevant Periods.

The comparative combined statements of comprehensive income, cash flows and changes in equity of the Group for the six months ended 30 June 2010 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 June 2010 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2010 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. Our review of the 30 June 2010 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2010 Financial Information.

Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2010 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Combined Financial Information which conform with HKFRSs.

A. FINANCIAL INFORMATIONS

(a) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover	7	4,389,316	4,709,202	5,585,382	2,483,689	2,905,784
Cost of sales		(4,025,349)	(4,273,862)	(5,124,759)	(2,281,977)	(2,691,054)
Gross profit		363,967	435,340	460,623	201,712	214,730
Other revenue and other gains and losses	8	661	5,881	38,007	3,553	5,834
Selling and distribution expenses		(85,250)	(96,171)	(104,192)	(47,424)	(48,078)
Administrative expenses		(195,082)	(219,037)	(249,562)	(118,133)	(126,069)
Finance costs	9	(19,287)	(10,480)	(11,770)	(5,422)	(5,813)
Profit before income tax expense	10	65,009	115,533	133,106	34,286	40,604
Income tax expense	11	(10,898)	(14,880)	(15,738)	(4,821)	(4,521)
Profit for the year/period		54,111	100,653	117,368	29,465	36,083
Other comprehensive income, after tax						
Exchange differences on translating foreign operations		12	—	37	110	(73)
Total comprehensive income for the year/period		54,123	100,653	117,405	29,575	36,010
Profit attributable to:						
— Owners of the Company		51,558	88,827	110,295	24,644	35,171
— Non-controlling interests		2,553	11,826	7,073	4,821	912
		54,111	100,653	117,368	29,465	36,083
Total comprehensive income attributable to:						
— Owners of the Company		51,570	88,827	110,332	24,754	35,090
— Non-controlling interests		2,553	11,826	7,073	4,821	920
		54,123	100,653	117,405	29,575	36,010

(b) COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2008	2009	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*16*	101,303	92,908	93,506	77,791
Interests in associates	*17*	—	—	—	—
Intangible assets	*18*	13,540	11,812	10,084	9,220
Trade and other receivables	*19*	6,270	—	—	—
Other financial assets	*20*	20,992	20,992	20,992	20,992
Deferred tax assets	*22*	32	28	1,284	1,968
		142,137	125,740	125,866	109,971
Current assets					
Inventories	*23*	511,626	729,070	943,858	980,074
Trade and other receivables	*19*	670,073	738,245	941,949	805,852
Derivative financial assets	*21*	—	1,101	412	652
Current tax recoverable		76	71	2,315	1,816
Pledged time deposits	*26(ii)*	3,627	7,124	7,142	7,142
Cash and cash equivalents	*24*	305,816	681,272	685,240	360,741
		1,491,218	2,156,883	2,580,916	2,156,277
Current liabilities					
Trade and other payables	*25*	811,954	1,039,815	1,182,721	811,155
Borrowings	*26*	388,174	714,680	934,891	829,599
Provisions	*27*	13,006	12,155	11,216	10,027
Obligations under finance leases	*28*	14	14	14	10
Derivative financial liabilities	*21*	—	143	162	103
Current tax liabilities		6,247	19,973	7,395	8,964
		1,219,395	1,786,780	2,136,399	1,659,858
Net current assets		271,823	370,103	444,517	496,419
Total assets less current liabilities		413,960	495,843	570,383	606,390
Non-current liabilities					
Obligations under finance leases	*28*	31	17	3	—
Deferred tax liabilities	*22*	4,469	2,555	—	—
		4,500	2,572	3	—
Net assets		409,460	493,271	570,380	606,390
Capital and reserves attributable to owners of the Company					
Share capital	*29*	30,589	30,318	30,318	30,318
Reserves		366,723	438,979	518,015	553,105
Equity attributable to owners of the Company		397,312	469,297	548,333	583,423
Non-controlling interests		12,148	23,974	22,047	22,967
Total equity		409,460	493,271	570,380	606,390

(c) STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2010 HK$'000	As at 30 June 2011 HK$'000
Current assets			
Cash and cash equivalents		—	—
Net assets		—	—
Capital and reserves			
Share capital	29	—	—
Total equity		—	—

(d) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Capital redemption reserve	Legal reserve	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	30,628	6,702	(15)	—	49	322,661	360,025	464	360,489
Profit for the year	—	—	—	—	—	51,558	51,558	2,553	54,111
Other comprehensive income — exchange difference on translating foreign operations	—	—	12	—	—	—	12	—	12
Total comprehensive income	—	—	12	—	—	51,558	51,570	2,553	54,123
Transfer to capital redemption reserve	—	—	—	424	—	(424)	—	—	—
Redemption of ordinary shares	(39)	—	—	(424)	—	—	(463)	—	(463)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	9,131	9,131
Dividends approved in respect of the previous year *(Note 14)*	—	—	—	—	—	(13,820)	(13,820)	—	(13,820)
At 31 December 2008 and 1 January 2009	30,589	6,702	(3)	—	49	359,975	397,312	12,148	409,460
Profit for the year	—	—	—	—	—	88,827	88,827	11,826	100,653
Total comprehensive income	—	—	—	—	—	88,827	88,827	11,826	100,653
Transfer to capital redemption reserve	—	—	—	2,844	—	(2,844)	—	—	—
Redemption of ordinary shares	(271)	—	—	(2,844)	—	—	(3,115)	—	(3,115)
Dividends approved in respect of the previous year *(Note 14)*	—	—	—	—	—	(13,727)	(13,727)	—	(13,727)
At 31 December 2009 and 1 January 2010	30,318	6,702	(3)	—	49	432,231	469,297	23,974	493,271
Profit for the year	—	—	—	—	—	110,295	110,295	7,073	117,368
Other comprehensive income — exchange difference on translating foreign operations	—	—	37	—	—	—	37	—	37
Total comprehensive income	—	—	37	—	—	110,295	110,332	7,073	117,405
Dividends approved in respect of the previous year *(Note 14)*	—	—	—	—	—	(31,296)	(31,296)	—	(31,296)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(9,000)	(9,000)
At 31 December 2010	30,318	6,702	34	—	49	511,230	548,333	22,047	570,380

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Capital redemption reserve	Legal reserve	Retained profits	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	30,318	6,702	34	—	49	511,230	548,333	22,047	570,380
Profit for the period	—	—	—	—	—	35,171	35,171	912	36,083
Other comprehensive income — exchange difference on translating foreign operations	—	—	(81)	—	—	—	(81)	8	(73)
Total comprehensive income	—	—	(81)	—	—	35,171	35,090	920	36,010
At 30 June 2011	30,318	6,702	(47)	—	49	546,401	583,423	22,967	606,390
Unaudited:									
At 1 January 2010	30,318	6,702	(3)	—	49	432,231	469,297	23,974	493,271
Profit for the period	—	—	—	—	—	24,644	24,644	4,821	29,465
Other comprehensive income — exchange difference on translating foreign operations	—	—	110	—	—	—	110	—	110
Total comprehensive income	—	—	110	—	—	24,644	24,754	4,821	29,575
At 30 June 2010	30,318	6,702	107	—	49	456,875	494,051	28,795	522,846

(e) COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating activities					
Profit before income tax expense	65,009	115,533	133,106	34,286	40,604
Adjustment for:					
Depreciation	43,340	43,838	44,266	22,367	20,922
Amortisation of intangible assets	1,296	1,728	1,728	864	864
Dividend income	(1,376)	—	(31,659)	—	—
Finance charges on obligations under finance leases	5	—	—	—	—
Interest income	(1,045)	(238)	(172)	(61)	(318)
Net (gain)/loss of derivative financial instruments	(710)	(1,171)	(231)	258	(1,003)
Interest expense	19,282	10,480	11,770	5,422	5,813
Loss/(gain) on disposal of property, plant and equipment	2	(168)	—	—	—
Property, plant and equipment written off	177	87	8	—	—
Provision/(reversal) for impairment losses on trade and other receivables	5,672	520	(79)	1,848	1,405
Provision/(reversal) for obsolete inventories	7,792	583	1,788	(19,537)	(1,505)
Operating profit before working capital changes	139,444	171,192	160,525	45,447	66,782
Inventories	832	(218,027)	(216,576)	(118,541)	(34,711)
Trade and other receivables	113,432	(96,469)	(219,899)	31,748	133,642
Trade and other payables	4,827	212,191	194,624	(75,082)	(369,180)
Import loans	(90,773)	295,238	219,087	(1,560)	(65,975)
Provision for product warranties and returns	2,252	(851)	(939)	(99)	(1,189)
Amounts due to non-controlling interests	—	16,964	(17,574)	—	—
Amounts due from related companies	18,778	33,979	(12,746)	—	—
Cash generated from/(used in) operations	188,792	414,217	106,502	(118,087)	(270,631)
Interest paid	(19,282)	(10,480)	(11,770)	(5,422)	(5,813)
Interest element of finance lease payments	(5)	—	—	—	—
Income tax paid	(21,284)	(4,280)	(34,371)	(15,038)	(2,617)
Net cash generated from/(used in) operating activities	148,221	399,457	60,361	(138,547)	(279,061)

		Year ended 31 December			Six months ended 30 June	
		2008	2009	2010	2010	2011
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Investing activities						
Decrease in pledged time deposits		(3,627)	(3,497)	(18)	—	—
Payments to acquire property, plant and equipment		(38,372)	(35,545)	(44,874)	(11,563)	(5,747)
Proceeds from disposal of other financial assets		7,020	—	—	—	—
Proceeds from disposal of property, plant and equipment		1	183	—	—	—
Acquisition of businesses	*30*	(38,260)	—	(13,500)	—	—
Disposal of a subsidiary	*35*	—	—	—	—	(1,320)
Dividend received		2,080	—	33,035	—	—
Interest received		1,045	238	172	61	318
Income received from derivative financial instruments		710	213	938	277	705
Net cash used in investing activities		(69,403)	(38,408)	(24,247)	(11,225)	(6,044)
Financing activities						
Contribution from non-controlling interests *(Note)*		132	1	7,000	—	—
Dividend paid to owners of the Company		(13,820)	(13,727)	(31,296)	—	—
Dividend paid to non-controlling interest *(Note)*		—	—	(9,000)	—	—
Redemption of shares		(463)	(3,115)	—	—	—
Proceeds from bank loans		54,077	56,100	40,000	—	—
Repayments of bank loans		(69,963)	(29,028)	(29,876)	(14,679)	(47,238)
Proceeds from discounted bills and factoring loans		709,386	339,155	138,364	62,232	64,690
Repayments of discounted bills and factoring loans		(710,435)	(334,959)	(147,364)	(65,462)	(56,769)
Repayment of obligations under finance leases		(609)	(14)	(14)	(7)	(7)
Net cash (used in)/generated from financing activities		(31,695)	14,413	(32,186)	(17,916)	(39,324)
Net increase/(decrease) in cash and cash equivalents		47,123	375,462	3,928	(167,688)	(324,429)
Cash and cash equivalents at beginning of year/period		258,717	305,816	681,272	681,272	685,240
Effect of exchange rate changes on cash and cash equivalents		(24)	(6)	40	24	(70)
Cash and cash equivalents at end of year/period	*24*	305,816	681,272	685,240	513,608	360,741

Note: During the year ended 31 December 2009, capital contribution of HK$2,000,000 from non-controlling interests was satisfied by offsetting against the amounts due to non-controlling interests.

B. NOTES TO THE COMBINED FINANCIAL STATEMENTS

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 United States of America.

Pursuant to the Reorganisation as detailed in the subsection headed "Corporate Reorganisation" in Appendix V to the Prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 21 December 2011. After the Reorganisation, there was a continuation of the risks and benefits to the controlling parties that existed prior to the Reorganisation. The Group is regarded and accounted for as a continuing group resulting from the Reorganisation since all of the entities which took part in the Reorganisation were under common control in a manner similar to pooling of interests. Accordingly, for the purpose of this report, the Combined Financial Information has been prepared on a combined basis by applying the principles of merger accounting in accordance with the Accounting Guideline No. 5 ("AG5"), "Merger Accounting for Common Control Combination" issued by the HKICPA.

2. Adoption of new and revised Hong Kong Financial Reporting Standards

The Group has adopted all of new and revised standards, amendments and interpretation issued by the HKICPA, which are effective for the accounting periods beginning on or after 1 January 2011 in the preparation of Combined Financial Information throughout the Relevant Periods.

The HKICPA has also issued the following new and revised HKFRSs that are not yet effective, potentially relevant to the Group but have not been early adopted in preparation of the Combined Financial Information.

HKAS 1 (Amendment)	Presentation of Financial Statements[3]
HKAS 12 (Amendment)	Deferred Tax: Recovering of Underlying Assets[2]
HKAS 19 (Revised 2011)	Employee Benefits[4]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurements[4]

Notes:

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. Basis of preparation

(a) Statement of compliance

The Combined Financial Information has been prepared on the basis set out in note 1 and in accordance with the accounting policies set out below which comply with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Combined Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange.

(b) Basis of measurement

The Combined Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Combined Financial Information is presented in Hong Kong dollars, which is the same as the functional currency of the Company.

4. Significant accounting policies

(a) Merger accounting for common control combination

The Combined Financial Information incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All inter-company transactions, cash flows and balances between the companies now comprising the Group are eliminated.

(b) Business combination and basis of consolidation

Except for the business combination under common control, which are accounted for using the principal of merger accounting (note 4(a)), the acquisition method of accounting is used for all other acquisition of subsidiaries or businesses.

For subsidiaries historically acquired by the Group during the Relevant Periods, their financial statements are consolidated from their respective dates of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of non-controlling shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group are recognised in profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(c) Subsidiary

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(d) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings	2%
Leasehold improvements	Over the remaining lease terms or 30%
Plant and machinery	20% to 50%
Office and testing equipment	20% to 50%
Furniture and fixtures	20% to 50%
Motor vehicles	33 1/3%
Moulds	50%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(f) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows. The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

Non-contractual customer lists and relationship	5 years

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(n)).

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

(i) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised directly in equity.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loan and receivables:

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets:

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligation under finance leases and borrowings by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(j) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(k) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(l) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which the entity operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On preparing Combined Financial Information, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as foreign exchange reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

(m) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

For employees in the People's Republic of China (the "PRC"), the Group contributes to state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- intangible assets with finite useful lives

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(o) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are discussed below.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

Impairment of available-for-sale investments

The directors review available-for-sale investments at the end of each reporting period to assess whether they are impaired. The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Provision for obsolete inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

Impairment of trade receivables

Recoverability of the trade receivable are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Warranty and returns provisions

As explained in note 27, the Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. Segment reporting

(a) Reportable segments

The Group determines its operating segments based on the 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:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(i) Turnover					
Asia Pacific ("APAC")	2,458,149	2,413,666	2,660,392	1,301,287	1,185,991
North and Latin America ("NALA")	362,309	463,551	516,419	239,050	283,707
People's Republic of China ("PRC")	262,922	528,973	866,523	390,101	477,080
Europe, Middle East and Africa ("EMEAI")	1,305,936	1,303,012	1,542,048	553,251	959,006
	4,389,316	4,709,202	5,585,382	2,483,689	2,905,784

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(ii) Specified non-current assets				
APAC	17,219	15,169	13,203	11,576
NALA	612	549	538	—
PRC	97,012	89,002	89,849	75,435
	114,843	104,720	103,590	87,011

(c) ***Revenue from major products and services***

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

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Video graphics cards	3,598,181	3,920,091	4,339,639	2,039,958	1,920,332
EMS	622,012	430,623	753,944	238,927	677,627
Other PC related products and components	169,123	358,488	491,799	204,804	307,825
	4,389,316	4,709,202	5,585,382	2,483,689	2,905,784

(d) Information about major customers

Revenues from customers of the corresponding periods contributing 10% or more of the Group's revenue are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	529,728	462,940	540,132	245,616	N/A
Customer B	550,711	499,558	N/A	N/A	N/A
Customer C	N/A	N/A	N/A	305,801	N/A
Customer D	N/A	N/A	N/A	N/A	465,683

7. Turnover

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

8. Other revenue and other gains and losses

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income	1,045	238	172	61	318
Dividend income from unlisted available-for-sale investments	1,376	—	31,659	—	—
(Loss)/gain on disposal of property, plant and equipment	(2)	168	—	—	—
Net exchange (losses)/gains	(6,597)	257	(935)	270	699
Net gains/(losses) on derivative financial instruments	710	1,171	231	(258)	1,003
Waiver of long outstanding trade payables	—	—	1,502	—	—
Sundry income	4,129	4,047	5,378	3,480	3,814
	661	5,881	38,007	3,553	5,834

9. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on bank advances and other borrowings wholly repayable within five years	19,282	10,480	11,770	5,422	5,813
Finance charges on obligations under finance leases	5	—	—	—	—
	19,287	10,480	11,770	5,422	5,813

10. Profit before income tax expense

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

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Carrying amount of inventories sold	3,964,447	4,208,011	4,946,015	2,210,693	2,525,471
Write-down of inventories	7,792	583	1,788	901	7,665
Costs of inventories recognised as cost of sales	3,972,239	4,208,594	4,947,803	2,211,594	2,533,136
Staff costs *(note 12)*	196,346	231,190	275,939	124,020	154,534
Auditor's remuneration	940	505	461	28	109
Depreciation of property, plant and equipment	43,340	43,838	44,266	22,367	20,922
Amortisation of intangible assets	1,296	1,728	1,728	864	864
Provision/(reversal of provision) for impairment losses on trade and other receivables	5,672	520	(79)	1,848	1,405
Operating lease payments on premises	17,573	19,865	25,992	12,633	13,620
Property, plant and equipment written off	177	87	8	—	—
Provision/(reversal of provision) for product warranties and returns *(note 27)*	2,559	(409)	1,476	896	(3)

11. Income tax expense

(a) The amounts of income tax expense in the combined statements of comprehensive income represent:

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax – Hong Kong profits tax					
— provision for the year/ period	7,560	14,828	17,374	8,065	4,365
— under provision in respect of prior year/ period	542	—	748	748	—
Current tax – PRC					
— provision for the year/ period	2,448	2,088	597	113	838
Current tax – United States of America and Korea					
— provision for the year/ period	245	6	830	—	—
— (over)/under provision in respect of prior year/period	—	(132)	—	—	2
	10,795	16,790	19,549	8,926	5,205
Deferred tax					
— origination and reversal of temporary differences	351	(1,910)	(3,811)	(4,105)	(684)
— attributable to change in tax rate	(248)	—	—	—	—
	103	(1,910)	(3,811)	(4,105)	(684)
Income tax expense	10,898	14,880	15,738	4,821	4,521

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% on the estimated assessable profits for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011.

Provision for PRC enterprise income tax is based on a statutory rate of 25% of the assessable profits of the Group's PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2008, 2009 and 2010 and for the six months ended 30 June 2010 and 2011.

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

(b) The income tax expense for the Relevant Periods can be reconciled to the profit per the combined statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before income tax expense	65,009	115,533	133,106	34,286	40,604
Tax on profit before income tax, calculated at Hong Kong profits tax rate	10,726	19,063	21,963	5,657	6,700
Effect of different tax rates of subsidiaries operating in other jurisdictions	(18)	9	(2,136)	(1,225)	(455)
Effect of tax exemption granted to a subsidiary	(288)	(1,694)	(4,267)	(851)	(2,269)
Tax effect of non-taxable net income relating to offshore operation	(4,196)	(7,579)	(10,471)	(4,571)	(3,212)
Tax effect of expenses not deductible for tax purposes	2,807	4,166	6,143	4,574	2,754
Tax effect of revenue not taxable for tax purposes	(1,470)	(362)	(4,753)	(1,100)	(1,641)
Tax effect of tax losses and deductible temporary differences not recognised	3,752	1,542	8,475	1,627	2,893
Utilisation of tax losses previously not recognised	(300)	(87)	(83)	(38)	(251)
Under provision in prior year/period	—	—	853	748	2
Others	(115)	(178)	14	—	—
Income tax expense	10,898	14,880	15,738	4,821	4,521

12. Staff costs

	Year ended 31 December			Six months ended 30 June	
	2008	2009	2010	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Staff costs (including directors' emoluments) comprise:					
Wages and salaries	186,233	218,576	262,174	117,325	141,333
Pension contribution	1,486	1,707	1,928	977	4,171
Social insurance	8,627	10,907	11,837	5,718	9,030
	196,346	231,190	275,939	124,020	154,534

13. Emoluments of directors and highest paid individuals

(a) *Directors' emoluments*

The remuneration of every director for the Relevant Periods is set out below:

Year ended 31 December 2008

Name of director	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Shik Ho, Tony	—	3,326	12	1,379	4,717
Wong Fong Pak	—	3,116	12	635	3,763
Leung Wah Kan	—	3,117	12	653	3,782
Ho Wong Mee-Tak Mary	—	—	—	—	—
	—	9,559	36	2,667	12,262

Year ended 31 December 2009

Name of director	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Shik Ho, Tony	—	5,087	12	1,182	6,281
Wong Fong Pak	—	4,591	12	622	5,225
Leung Wah Kan	—	4,591	12	649	5,252
Ho Wong Mee-Tak Mary	—	—	—	—	—
	—	14,269	36	2,453	16,758

Year ended 31 December 2010

Name of director	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Shik Ho, Tony	—	4,385	12	1,151	5,548
Wong Fong Pak	—	3,881	12	609	4,502
Leung Wah Kan	—	3,951	12	638	4,601
Ho Wong Mee-Tak Mary	—	—	—	—	—
	—	12,217	36	2,398	14,651

Six months ended 30 June 2010 (Unaudited)

Name of director	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Shik Ho, Tony	—	1,522	6	582	2,110
Wong Fong Pak	—	1,365	6	309	1,680
Leung Wah Kan	—	1,399	6	324	1,729
Ho Wong Mee-Tak Mary	—	—	—	—	—
	—	4,286	18	1,215	5,519

Six months ended 30 June 2011

Name of director	Fees	Basic salaries and bonus	Pension contribution	Housing and other allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wong Shik Ho, Tony	—	1,888	6	562	2,456
Wong Fong Pak	—	952	6	308	1,266
Leung Wah Kan	—	985	6	324	1,315
Ho Nai Nap *(note)*	—	630	6	—	636
Man Wai Hung *(note)*	—	776	6	—	782
Ho Wong Mee-Tak Mary	—	—	—	—	—
Chiu Wing Yui *(note)*	—	—	—	—	—
Ip Shing Hing *(note)*	—	—	—	—	—
Lai Kin Jerome *(note)*	—	—	—	—	—
Cheung Ying Sheung *(note)*	—	—	—	—	—
	—	5,231	30	1,194	6,455

Note:

Appointed on 24 January 2011

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2010 and 2011 include three, three, three, three and five directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Wages and salaries	1,615	1,915	1,942	972	—
Pension contribution	24	12	15	6	—
Other benefits	—	—	—	90	—
	1,639	1,927	1,957	1,068	—

The emoluments of the remaining highest paid individuals are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
HK$Nil – HK$1,000,000	2	2	1	2	—
HK$1,000,001 – HK$1,500,000	—	—	1	—	—
HK$1,500,001 – HK$2,000,000	—	—	—	—	—
HK$2,000,001 – HK$3,000,000	—	—	—	—	—
HK$3,000,001 – HK$4,000,000	—	—	—	—	—
	2	2	2	2	—

During the Relevant Periods, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

14. Dividends

No dividends have been paid or declared by the Company since the date of its incorporation.

The dividends paid during the Relevant Periods by the Company's subsidiary to the then shareholders prior to the Reorganisation were as follows:

(a) Dividend payable to equity holders of the Company attributable to the Relevant Periods

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interim dividend declared after the end of reporting period	13,815	11,736	66,504	—	—

(b) Dividend paid to equity holders of the Company attributable to the previous financial year, approved and paid during the Relevant Periods

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interim dividend in respect of previous financial year, approved and paid during the year/period	13,820	13,727	31,296	—	—

The dividend rates and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

15. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in note 1 above.

16. Property, plant and equipment

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Office and testing equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Cost:								
At 1 January 2008	1,196	18,767	246,939	23,683	609	1,129	783	293,106
Acquisition of businesses	—	89	—	502	—	—	—	591
Additions	—	17,083	7,620	12,651	77	941	—	38,372
Disposals/written off	—	(184)	(172)	(354)	—	—	—	(710)
At 31 December 2008 and 1 January 2009	1,196	35,755	254,387	36,482	686	2,070	783	331,359
Additions	—	4,600	26,534	3,373	245	793	—	35,545
Disposals/written off	—	(289)	(3,259)	(194)	—	(487)	—	(4,229)
At 31 December 2009 and 1 January 2010	1,196	40,066	277,662	39,661	931	2,376	783	362,675
Additions	—	2,474	33,606	7,994	311	489	—	44,874
Disposals/written off	—	—	(38)	(308)	—	—	—	(346)
Exchange adjustments	—	—	—	(3)	—	—	—	(3)
At 31 December 2010 and 1 January 2011	1,196	42,540	311,230	47,344	1,242	2,865	783	407,200
Additions	—	1,009	3,556	1,181	1	—	—	5,747
Disposals/written off	—	—	(57)	(64)	—	—	—	(121)
Disposal of a subsidiary	—	—	(264)	(472)	(110)	(53)	—	(899)
Exchange adjustments	—	(2)	—	—	—	—	—	(2)
At 30 June 2011	1,196	43,547	314,465	47,989	1,133	2,812	783	411,925
Accumulated depreciation:								
At 1 January 2008	120	8,294	162,476	13,995	466	1,002	691	187,044
Acquisition of businesses	—	52	—	150	—	—	—	202
Depreciation	24	5,291	28,382	9,192	141	218	92	43,340
Written back on disposal/ written off	—	(52)	(172)	(306)	—	—	—	(530)
At 31 December 2008 and 1 January 2009	144	13,585	190,686	23,031	607	1,220	783	230,056
Depreciation	27	6,237	27,628	9,505	76	365	—	43,838
Written back on disposal/ written off	—	(194)	(3,259)	(187)	—	(487)	—	(4,127)
At 31 December 2009 and 1 January 2010	171	19,628	215,055	32,349	683	1,098	783	269,767
Depreciation	24	6,661	29,014	7,721	178	668	—	44,266
Written back on disposal/ written off	—	—	(38)	(300)	—	—	—	(338)
Exchange adjustments	—	—	—	(1)	—	—	—	(1)
At 31 December 2010 and 1 January 2011	195	26,289	244,031	39,769	861	1,766	783	313,694
Depreciation	11	3,825	13,754	2,879	89	364	—	20,922
Written back on disposal/ written off	—	—	(57)	(64)	—	—	—	(121)
Disposal of a subsidiary	—	—	(99)	(226)	(23)	(13)	—	(361)
At 30 June 2011	206	30,114	257,629	42,358	927	2,117	783	334,134
Net book value:								
At 30 June 2011	990	13,433	56,836	5,631	206	695	—	77,791
At 31 December 2010	1,001	16,251	67,199	7,575	381	1,099	—	93,506
At 31 December 2009	1,025	20,438	62,607	7,312	248	1,278	—	92,908
At 31 December 2008	1,052	22,170	63,701	13,451	79	850	—	101,303

The Group's leasehold land is held on medium-term lease.

The carrying amount of the Group's office and testing equipment as at 31 December 2008, 2009 and 2010 and 30 June 2011 includes an amount of approximately HK$37,000, HK$21,000, HK$10,000 and HK$2,000 respectively in respect of assets acquired under finance leases.

17. Interests in associates

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	—	—	—	—

Particulars of the associates of the Group during the Relevant Periods were as follows:

Name	**Form of business structure**	**Place of incorporation**	**Attributable equity interest to the Group**	**Place of operation and principal activities**
EQS Limited ("EQS")	Corporation	The Great Britain	$33^{1}/_{3}$% *(Note a)*	Distribution of computer motherboards and parts in the United Kingdom
Federal Bonus Limited ("Federal Bonus")	Corporation	BVI	40% *(Note b)*	Investment holding
Sapphire Global Holdings Limited ("Sapphire Global")	Corporation	BVI	40% *(Note b)*	Investment holding and trading of computer components and peripherals in Hong Kong

Notes:

a) EQS was dissolved on 4 August 2009 by striking off.

b) As at 1 January 2008, the Group held 40% interests in Sapphire Global and Federal Bonus and accounted for as investments in associates. In January 2008, the associates issued additional shares for which the Group did not allot new shares and its shareholdings were diluted from 40% to 18.18%. Accordingly, these investments are accounted for as available-for-sale investments (Note 20) since January 2008.

18. Intangible assets

	Brand name	Non-contractual customer lists and relationship	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost:			
At 1 January 2008	—	—	—
Acquisition of businesses *(Note 30)*	6,196	8,640	14,836
At 31 December 2008, 2009 and 2010 and 30 June 2011	6,196	8,640	14,836
Accumulated amortisation:			
At 1 January 2008	—	—	—
Amortisation for the year	—	1,296	1,296
At 31 December 2008 and 1 January 2009	—	1,296	1,296
Amortisation for the year	—	1,728	1,728
At 31 December 2009 and 1 January 2010	—	3,024	3,024
Amortisation for the year	—	1,728	1,728
At 31 December 2010 and 1 January 2011	—	4,752	4,752
Amortisation for the period	—	864	864
At 30 June 2011	—	5,616	5,616
Carrying amount:			
At 30 June 2011	6,196	3,024	9,220
At 31 December 2010	6,196	3,888	10,084
At 31 December 2009	6,196	5,616	11,812
At 31 December 2008	6,196	7,344	13,540

The brand name acquired through acquisition of businesses is considered by management of the Group as having indefinite useful life as there was no limit to the period the brand name would contribute to net cash inflows.

Non-contractual customer lists and relationship acquired through acquisition of businesses is amortised over their useful lives of 5 years. The amortisation expense has been included in administrative expenses in the combined statements of comprehensive income.

19. Trade and other receivables

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	608,242	702,003	912,467	777,122
Less: Accumulated impairment losses	(11,888)	(11,915)	(8,345)	(9,750)
	596,354	690,088	904,122	767,372
Other receivables	19,684	19,817	13,771	12,191
Deposits and prepayments	8,642	10,724	22,714	26,289
Amounts due from non-controlling interests *(Note a)*	10,342	8,295	1,342	—
Amounts due from related companies *(Note b)*	39,945	7,945	—	—
Dividend receivable	1,376	1,376	—	—
	676,343	738,245	941,949	805,852
Amounts due from non-controlling interests, repayable after one year	(6,270)	—	—	—
Amounts due within one year included under current assets	670,073	738,245	941,949	805,852

Notes:

a) The amounts due from non-controlling interests were unsecured, interest-free and had fixed terms of repayment according to the relevant agreements.

b) The amounts due from related companies were unsecured, interest-free and had no fixed repayment terms.

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	316,077	429,802	606,499	484,015
1 to 3 months	265,576	242,909	246,152	246,863
More than 3 months but within 1 year	13,721	14,218	48,979	32,116
Over 1 year	980	3,159	2,492	4,378
	596,354	690,088	904,122	767,372

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

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

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	128,080	85,202	149,057	214,049
Over 1 month but within 3 months	22,056	22,411	48,032	58,419
Over 3 months but within 1 year	7,180	6,179	20,437	15,954
Over 1 year	35	2,345	1,545	2,334
	157,351	116,137	219,071	290,756

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 reconciled the impairment loss of trade receivables for the Relevant Periods:

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year/period	6,654	11,888	11,915	8,345
Provision/(reversal) of impairment loss recognised	5,672	520	(79)	1,405
Uncollectible amounts written off	(438)	(493)	(3,491)	—
At end of year/period	11,888	11,915	8,345	9,750

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(i)(ii).

20. Other financial assets

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments — Non-current				
Investments in unlisted securities *(Note)*	20,992	20,992	20,992	20,992

Note:

The available-for-sale investments represent 18.18%, 18.18%, 4.95% and 4.95% of equity interest in Federal Bonus and Sapphire Global as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively. Both of which are private companies incorporated in the BVI. As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses.

21. Derivative financial instruments

	As at 31 December			As at 30 June
	2008	2009	2010	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Derivative financial assets				
Foreign exchange forward contracts *(Note a)*	—	790	350	—
Performance swap contracts *(Note c)*	—	311	62	652
	—	1,101	412	652
Derivative financial liabilities				
Interest rate swap contracts *(Note b)*	—	143	162	103

Notes:

(a) Foreign exchange forward contracts

The foreign exchange forward contracts are settled at specific time intervals and the major terms of the contracts as at 31 December 2009 and 2010 and 30 June 2011 are as follows:

Notional amount	Trade dates	Contracted exchange rates	Fair value		
			As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
			HK$'000	*HK$'000*	*HK$'000*
US$1,000,000	16 March 2009	HK$7.85 or CNY 6.995	691	—	—
US$1,000,000	8 June 2009	CNY6.3 to CNY6.89	99	—	—
US$2,000,000	30 June 2010 to 31 May 2011	US$1 to CNY6.9	—	350	—
			790	350	—

(b) Interest rate swap contracts

Notional amount	Trade dates	Contracted interest rates/strike rates	Fair value		
			As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
			HK$'000	*HK$'000*	*HK$'000*
HK$20,000,000	9 March 2009 to 11 March 2013	1.84% p.a.	(143)	(162)	(103)

(c) Performance swap contracts

Notional amount	Trade dates	Contracted exchange rates	Fair value		
			As at 31 December 2009	As at 31 December 2010	As at 30 June 2011
			HK$'000	*HK$'000*	*HK$'000*
HK$50,000,000 (Interest rate swap portion) and US$3,600,000 (Foreign exchange portion)	4 August 2009 to 7 February 2011	HKD-HIBOR-HKAB/ US$1 to CNY7	311	62	—
US$2,000,000	12 April 2011 to 7 March 2013	CNY5.95 to CNY6.6	—	—	652
			311	62	652

The above derivatives were measured at fair value at the end of each reporting period. The fair values of the above derivatives were determined based on the quoted market prices and the fair values of foreign exchange forward contracts, interest rate swap contracts and performance swap contracts were determined by Stirling Appraisals Limited, the qualified valuer at the end of each reporting period. The net gain on derivative financial instruments of HK$710,000, HK$1,171,000, HK$231,000 and HK$1,003,000 has been recognised in profit or loss during the years ended 31 December 2008, 2009 and 2010 and the six months ended 30 June 2011 respectively.

22. Deferred tax

Details of the deferred tax liabilities and assets recognised and movements during the Relevant Periods:

	Accelerated tax depreciation	Provisions for doubtful debts and warranty	Tax loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	(7,857)	706	2,817	(4,334)
Effect of change in tax rate	449	(40)	(161)	248
Credited/(charged) to profit or loss	1,675	609	(2,635)	(351)
At 31 December 2008 and 1 January 2009	(5,733)	1,275	21	(4,437)
Credited/(charged) to profit or loss	2,138	(207)	(21)	1,910
At 31 December 2009 and 1 January 2010	(3,595)	1,068	—	(2,527)
Credited/(charged) to profit or loss	4,150	(339)	—	3,811
At 31 December 2010 and 1 January 2011	555	729	—	1,284
Credited to profit or loss	139	545	—	684
At 30 June 2011	694	1,274	—	1,968

For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	32	28	1,284	1,968
Deferred tax liabilities	(4,469)	(2,555)	—	—
	(4,437)	(2,527)	1,284	1,968

Deferred tax asset has not been recognised for the followings:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deductible temporary differences	201	616	659	2,403
Unused tax losses	3,928	4,843	12,804	56,909
	4,129	5,459	13,463	59,312

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK$2,386,000 could be carried forward indefinitely, remaining losses amounting to approximately HK$54,523,000 will expire during 2012 to 2031.

23. Inventories

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	386,385	538,284	584,263	640,388
Work-in-progress	5,228	11,883	18,363	10,393
Finished goods	164,804	224,277	368,627	355,183
	556,417	774,444	971,253	1,005,964
Less: Provision for obsolete inventories	(44,791)	(45,374)	(27,395)	(25,890)
	511,626	729,070	943,858	980,074

24. Cash and cash equivalents

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and in hand	305,816	681,272	685,240	360,741

The currency analysis of cash and cash equivalents are shown as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Renminbi	11,461	5,868	4,364	8,097
Japanese Yen	96	557	80	1,595
Taiwan dollars	764	898	764	698
United States dollars	268,619	607,824	559,387	298,830
Hong Kong dollars	24,846	66,103	111,950	49,219
Others	30	22	8,695	2,302
	305,816	681,272	685,240	360,741

25. Trade and other payables

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	658,959	873,283	1,026,663	663,629
Other payables and accruals *(Note a)*	116,947	114,814	156,058	147,526
Amounts due to non-controlling interests *(Note b)*	16,110	31,027	—	—
Amounts due to related companies *(Note c)*	19,938	20,691	—	—
	811,954	1,039,815	1,182,721	811,155

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:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	175,153	409,464	348,173	243,356
Over 1 month but within 3 months	311,210	332,651	524,389	346,427
Over 3 months but within 1 year	171,340	129,552	153,873	73,274
Over 1 year	1,256	1,616	228	572
	658,959	873,283	1,026,663	663,629

Notes:

a) Included in other payables and accruals were provision for social insurance of approximately HK$12,570,000, HK$21,173,000, HK$30,964,000 and HK$32,499,000 as at 31 December 2008, 2009 and 2010 and 30 June 2011 respectively.

b) The amounts due to non-controlling interests were unsecured, interest free and had no fixed terms of repayment.

c) The amounts due to related companies were unsecured, interest free and had no fixed terms of repayment.

26. Borrowings

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans — secured	80,702	107,774	117,898	70,660
Import loans — secured	296,722	591,960	811,047	745,072
Discounted bills and factoring loans	10,750	14,946	5,946	13,867
	388,174	714,680	934,891	829,599

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

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
On demand or within one year	361,113	666,149	881,469	790,790
Due after one year				
More than one year, but not exceeding two years	14,726	24,242	47,760	22,040
More than two years, but not exceeding five years	12,335	24,289	5,662	16,769
	27,061	48,531	53,422	38,809
	388,174	714,680	934,891	829,599

(i) The above borrowings bear interest at effective interest rates ranging from 0.8% to 4.4% for the Relevant Periods.

(ii) The Group's banking facilities are secured by (a) bank deposits of the Group (As at 31 December 2008, 2009 and 2010 and 30 June 2011: approximately HK$3,627,000, HK$7,124,000, HK$7,142,000 and HK$7,142,000 respectively; (b) unlimited joint and several guarantee from the directors, Wong Shik Ho Tony, Leung Wah Kan and Wong Fong Pak; (c) bank deposit of a related company (As at 31 December 2008, 2009 and 2010 and 30 June 2011: approximately HK$10,313,000, HK$1,404,000, HK$Nil and HK$Nil) respectively; (d) unlimited personal guarantee from non-controlling interest; and (e) unlimited corporate guarantee from a related company. In December 2010, items (c) to (e) were released. The Directors confirmed that item (b) will be released upon the listing.

(iii) The banks have overriding right of repayment on demand for all bank loans irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations. Therefore, the bank loans were entirely classified as current liabilities in the combined statements of financial position in accordance with Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause".

27. Provisions

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Provision for product warranties and returns				
At beginning of year/period	8,076	13,006	12,155	11,216
Acquisition of businesses *(Note 30)*	2,678	—	—	—
Additional provision made	2,559	—	1,476	—
Released	—	(409)	—	(3)
Utilised	(307)	(442)	(2,415)	(1,186)
Net movement for the year/period	2,252	(851)	(939)	(1,189)
At end of year/period	13,006	12,155	11,216	10,027

Under the terms of the Group's certain sales agreements, the Group will rectify any product defects arising within three years from the date of sale ("Track Record Period"). The Group also has a policy allowing the customers to return any defected products within two years after the delivery of products.

Provision is therefore made for the best estimate of the expected settlement of warranty under sales agreements and sales returns in respect of sales made during the Track Record Period. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable whilst the amount of provision for sales returns is estimated by management with reference to the past experience and other relevant factors.

28. Obligations under finance leases

The Group leases certain of its plant and machinery and office equipment during the Relevant Periods. Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total minimum lease payments				
— within one year	14	14	14	10
— more than one year but not later than five years	31	17	3	—
	45	31	17	10
Interest expense relating to future periods	—	—	—	—
Present value of the minimum lease payments	45	31	17	10
Present value of the minimum lease payments:				
— within one year	14	14	14	10
— more than one year but not later than five years	31	17	3	—
	45	31	17	10

29. **Share capital**

Group

For the purpose of the presentation of the combined statements of financial position, the share capital at 31 December 2008, 2009 and 2010 and 30 June 2011 represents the share capital of PC Partner Holdings Limited, a wholly-owned subsidiary directly owned by the Company. PC Partner Holdings Limited was incorporated in the British Virgin Islands on 2 May 1997, with an authorised share capital of US$25,000,000 divided into 20,000,000 ordinary shares and 5,000,000 redeemable phantom shares of US$1 each. The number of share capital was issued and fully paid at par as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	'000	*'000*	*'000*	*'000*
Ordinary shares of US$1 each				
At beginning of year/period	3,952	3,947	3,912	3,912
Purchase of own shares for cancellation	(5)	(35)	—	—
At end of year/period	3,947	3,912	3,912	3,912

The balances of share capital at 31 December 2008, 2009 and 2010 and 30 June 2011 are as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
PC Partner Holdings Limited	30,589	30,318	30,318	30,318

Company

The Company was incorporated in the Cayman Islands on 1 April 2010, with an authorised share capital of HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.1 each. At the end of the Relevant Period, 3 ordinary shares of HK$0.1 each were issued and fully paid.

Pursuant to the Reorganisation, the Company will allot and issue in aggregate 330,518,665 shares to the shareholders of PC Partner Holdings Limited credited as fully paid in such proportion as shall mirror their then shareholding proportion in PC Partner Holdings Limited's shares such that the shareholding structure of PC Partner Holdings Limited is replicated at the Company level.

30. Acquisition of businesses

On 1 April 2008, the Group through 60% owned subsidiaries, acquired the trading businesses from ASK Technology Limited and Manli Technology Limited, for a total consideration of HK$51,760,000. These transactions have been accounted for by the acquisition method of accounting.

The net assets acquired in the transactions are as follows:

	Fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	389
Intangible assets	14,836
Inventories	20,815
Trade and other receivables	55,085
Amount due from a related company	48,876
Amount due from non-controlling interest	1,342
Obligations under finance leases	(55)
Trade and other payables	(68,945)
Provision	(2,678)
Amounts due to non-controlling interests	(2,610)
Amounts due to related companies	(15,020)
Tax payable	(267)
Deferred tax liabilities	(8)
	51,760
Total consideration	
Satisfied by cash:	
Consideration settled in 2008	38,260
Consideration settled in 2010	13,500
	51,760

The acquisition of trading businesses is to expand the Group's business channels to develop its own branded products. After the acquisition, the contribution of revenue and profit to the Group since the date of acquisition up to 31 December 2008 amounted to approximately HK$681 million and HK$8 million respectively. The acquisition-related cost is immaterial.

The fair value and gross amount of trade and other receivables at the date of acquisition amounted to HK$55,085,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

31. Operating lease arrangements (as lessee)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

				As at
		As at 31 December		**30 June**
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	19,193	17,711	26,310	20,592
After one year but within five years	53,853	43,224	49,674	44,688
After five years	30,765	22,561	16,553	11,823
	103,811	83,496	92,537	77,103

32. Capital commitments

At 31 December 2008, 2009 and 2010 and 30 June 2011, the Group had the following capital commitments in respect of:

				As at
		As at 31 December		**30 June**
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for acquisition of property, plant and equipment but not provided	5,595	3,981	2,490	26,102

33. Related party disclosures

During the Relevant Periods, the Group entered into the following significant transactions with its related parties:

	Year ended 31 December			Six months ended 30 June	
	2008	**2009**	**2010**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Related companies owned by non-controlling interests					
— purchases *(Note iii)*	20,838	1,066	958	—	—
— subcontracting charges *(Note iv)*	17,243	27,450	7,804	7,804	—
— personnel support service fees and reimbursement of expenses *(Note i)*	1,464	2,025	2,786	1,243	1,786
— acquisition of property, plant and equipment	389	—	—	—	—
Related companies owned by the directors					
— sales *(Note iii)*	14,933	4,014	6,301	—	—
— rent *(Note ii)*	350	600	600	300	300
Non-controlling interests					
— rent *(Note ii)*	120	168	168	56	94

Notes:

(i) Personnel support service fees and reimbursement of expenses were mutually agreed by the parties.

(ii) Rental expenses were charged according to the agreements.

(iii) Sales and purchase transactions were conducted at prices agreed by both parties.

(iv) Subcontracting charges were determined with reference to the then prevailing market rates.

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.

The directors confirmed that the transactions in notes (i) and (ii) will continue in the future after the listing of the Company's shares while the transactions in notes (iii) and (iv) had been discontinued prior to 31 December 2010.

34. Increase in investment in a subsidiary

On 11 January 2011, PC Partner International Limited ("PCPI") entered into a stock purchase agreement with the non-controlling shareholder of Zotac Nevada, whereby PCPI agreed to purchase and the non-controlling shareholder agreed to sell 30,000 shares of Zotac Nevada, representing 40% of the equity interest in Zotac Nevada held by the non-controlling shareholder, for a consideration of US$1.

The transaction was completed on 11 January 2011. Zotac Nevada becomes a wholly owned subsidiary of PCPI at the same date.

35. Disposal of a subsidiary

On 11 January 2011, PCPI entered into a stock purchase agreement with the non-controlling shareholder of Zotac California, whereby PCPI agreed to sell and the non-controlling shareholder agreed to purchase 45,000 shares of Zotac California, representing 60% of the equity interest in Zotac California held by PCPI, for a consideration of US$1.

The disposal was completed on 11 January 2011. PCPI does not hold any interest in Zotac California upon disposal.

The carrying amounts of net assets disposed of was as follows:

	Carrying amounts
	HK$'000
Net assets disposed of:	
Property, plant and equipment	538
Trade and other receivables	1,049
Cash and cash equivalents	1,320
Trade and other payables	(2,421)
Current tax liabilities	(486)
Total consideration	*
Satisfied by	
Cash consideration	*
Net cash outflow arising on disposal:	
Cash consideration	*
Cash and cash equivalents disposed of	1,320
	(1,320)

* Denoted as US$1

The carrying amounts of net assets disposed approximated to their fair values.

36. Capital risk management

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 26 and the obligations under finance leases disclosed in note 28, cash and cash equivalents disclosed in note 24 and equity of the Group, comprising share capital, reserves, retained earnings and non-controlling interests disclosed in combined statements of changes in equity. The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

The gearing ratio at the end of each reporting period was as follows:

	As at 31 December			As at 30 June
	2008	**2009**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Debts	388,219	714,711	934,908	829,609
Cash and cash equivalents	(305,816)	(681,272)	(685,240)	(360,741)
Net debts	82,403	33,439	249,668	468,868
Total equity	409,460	493,271	570,380	606,390
Debts to equity ratio	20.1%	6.8%	43.8%	77.3%

37. Financial risk management

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for certain customers.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 19.

As at 31 December 2008, 2009 and 2010 and 30 June 2011, approximately 22%, 7%, Nil% and 15% respectively, of the Group's trade receivables were due from certain major customers, the sales to each of whom accounted for more than 10% of the Group's revenue during each of the Relevant Periods.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

(b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other financial liabilities are based on the agreed repayment dates.

	Carrying amount	Total contractual undis-counted cash flow	Within one year	More than 1 year but less than 2 years	More than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008					
Borrowings	388,174	388,174	388,174	—	—
Trade and other payables	811,954	811,954	811,954	—	—
Obligations under finance leases	45	45	14	14	17
Total	1,200,173	1,200,173	1,200,142	14	17
At 31 December 2009					
Borrowings	714,680	714,680	714,680	—	—
Trade and other payables	1,039,815	1,039,815	1,039,815	—	—
Obligations under finance leases	31	31	14	17	—
Total	1,754,526	1,754,526	1,754,509	17	—
Derivative settled net: Interest rate swap	143	143	143	—	—
At 31 December 2010					
Borrowings	934,891	934,891	934,891	—	—
Trade and other payables	1,182,721	1,182,721	1,182,721	—	—
Obligations under finance leases	17	17	14	3	—
Total	2,117,629	2,117,629	2,117,626	3	—
Derivative settled net: Interest rate swap	162	162	162	—	—
At 30 June 2011					
Borrowings	829,599	829,599	829,599	—	—
Trade and other payables	811,155	811,155	811,155	—	—
Obligations under finance leases	10	10	10	—	—
Total	1,640,764	1,640,764	1,640,764	—	—
Derivative settled net: Interest rate swap	103	103	103	—	—

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates.

	Carrying amount	Total contractual undis- counted cash flow	Within one year	More than 1 year but less than 2 years	More than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2008	80,702	81,980	54,603	14,868	12,509
31 December 2009	107,774	109,403	60,018	24,598	24,787
31 December 2010	117,898	120,904	65,440	49,684	5,780
30 June 2011	70,660	71,791	32,347	22,378	17,066

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings:

	Year ended 31 December						Six months ended 30 June			
	2008		2009		2010		2010		2011	
	Effective interest rate	*HK$'000*	*Effective interest rate*	*HK$'000*	*Effective interest rate*	*HK$'000*	*Effective interest rate* (Unaudited)	*HK$'000*	*Effective interest rate*	*HK$'000*
Variable rate borrowings										
Import loans	4.40%	296,722	1.95%	591,960	1.58%	811,047	1.67%	590,399	1.40%	745,072
Bank loans	3.57%	80,702	1.77%	107,774	1.49%	117,898	3.54%	93,095	1.63%	70,660
Discounted bills and factoring	2.56%	10,750	0.80%	14,946	1.32%	5,946	1.16%	11,716	2.84%	13,867
		388,174		714,680		934,891		695,210		829,599
Fixed rate borrowings										
Obligations under finance lease	5.70%	45	Nil	31	Nil	17	Nil	24	Nil	10

The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 31 December 2008, 2009 and 2010 and 30 June 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the years ended 31 December 2008, 2009 and 2010 and six months ended 30 June 2011 by approximately HK$1,908,000, HK$2,254,000, HK$3,121,000 and HK$3,355,000 respectively.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

At 31 December 2009 and 2010 and 30 June 2011, the Group had forward foreign exchange contracts with a fair value of HK$790,000, HK$350,000 and HK$Nil and performance swap contracts with a fair value of HK$311,000, HK$62,000 and HK$652,000 recognised as derivative financial instruments respectively.

The following table details the Group's exposure at 31 December 2008, 2009 and 2010 and 30 June 2011 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 December						As at 30 June	
	2008		2009		2010		2011	
	United States dollar	Renminbi	United States dollar	Renminbi	United States dollar	Renminbi	United States dollar	Renminbi
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	599,107	1,710	630,325	2,005	751,794	6,855	738,406	22,155
Cash and cash equivalents	268,263	7,969	609,204	4,723	535,328	735	298,830	8,097
Trade and other payables	(440,120)	(16,972)	(657,322)	(24,174)	(756,976)	(3,613)	(508,839)	(75,617)
Borrowings	(104,350)	—	(479,175)	—	(535,163)	—	(472,358)	—
Overall net exposure	322,900	(7,293)	103,032	(17,446)	(5,017)	3,977	56,039	(45,365)

The following table indicates the approximate change in the Group's profit after taxation and retained profits and other components of combined equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in profit for the year/period and other equity where the HKD strengthens against the relevant currency. For a weakening of the HKD against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

	Increase in foreign exchange rates	Effect on profit for the year/period retained profits *HK$'000*
As at 31 December 2008		
United States dollars	5%	(16,145)
Renminbi	5%	365
As at 31 December 2009		
United States dollars	5%	(5,152)
Renminbi	5%	872
As at 31 December 2010		
United States dollars	5%	251
Renminbi	5%	(199)
As at 30 June 2011		
United States dollars	5%	(2,802)
Renminbi	5%	2,268

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the periods until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the years/period and equity measured in the respective functional currencies, translated into HKD at the exchange rate ruling at the end of reporting periods for presentation purposes. The analysis is performed on the same basis for year end 31 December 2008, 2009 and 2010 and six months ended 30 June 2011.

(e) Fair value of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities, including pledged deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings, are recorded at amortised cost in the Combined Financial Information approximate their fair values at the end of each reporting period.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2008			
Financial assets at fair value through profit or loss:			
— derivatives	—	—	—
Financial liabilities at fair value through profit or loss			
— derivatives	—	—	—
As at 31 December 2009			
Financial assets at fair value through profit or loss:			
— derivatives	—	1,101	—
Financial liabilities at fair value through profit or loss			
— derivatives	—	143	—
As at 31 December 2010			
Financial assets at fair value through profit or loss:			
— derivatives	—	412	—
Financial liabilities at fair value through profit or loss			
— derivatives	—	162	—
As at 30 June 2011			
Financial assets at fair value through profit or loss:			
— derivatives	—	652	—
Financial liabilities at fair value through profit or loss			
— derivatives	—	103	—

C. SUBSEQUENT EVENTS

Subsequent to 30 June 2011 and up to the date of this report, the following significant events have taken place:

(a) Reorganisation

The entities now comprising the Group completed the Reorganisation in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange. Details of the Reorganisation are set out in the section headed "Corporate Reorganisation" in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 21 December 2011.

(b) Pre-IPO Share Option Scheme

Pursuant to the resolution of all the shareholders of the Company passed on 14 December 2011, the Company has adopted the Pre-IPO Share Option Scheme (as defined in the Prospectus). The principal terms of the Pre-IPO Share Option Scheme are set out in the section headed "Pre-IPO Share Option Scheme" in Appendix V to the Prospectus. Up to the date of this report, options to subscribe for an aggregate of 31,990,000 shares of the Company have been granted under the Pre-IPO Share Option Scheme by the Company, and which remained outstanding as at the date of this report.

(c) Dividends

Pursuant to the board resolution of PC Partner Holdings Limited on 28 July 2011, PC Partner Holdings Limited resolved to declare the interim dividend of HK$17 per share in respect of the year ended 31 December 2010 of HK$66,504,000 to the members of PC Partner Holdings Limited whose names appear in the Register of Members on 30 June 2011. Interim dividend of HK$4 per share was settled on 1 August 2011. Remaining interim dividend of HK$13 per share will be payable one week before the date of successful listing of the Company in the Main Board of Stock Exchange ("Successful Listing") to those shareholders whose names appear in the Register of Members as at one month before the date of the Successful Listing.

D. SUBSEQUENT ACCOUNTS

No audited accounts have been prepared by the Group in respect of any period subsequent to 30 June 2011 and no dividend or other distribution has been declared, made or paid by the Company.

Yours faithfully,
BDO Limited
Certified Public Accountants
Chan Kam Wing, Clement
Practising Certificate number P02038
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

REPORT ON PRO FORMA FINANCIAL INFORMATION

For illustrative purpose, the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to provide prospective investors with further information about how the financial information of PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") might be affected by the Offering as if the Offering had been completed on 30 June 2011. The statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Offering.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of our Group as at 30 June 2011, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below:

	Audited combined net tangible assets attributable to owners of our Company as at 30 June 2011(1)	Estimated net proceeds from the Offering(2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share(3)/(4)
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$1.60 per Share	574,203	109,200	683,403	1.64

Notes:

1. The combined net tangible assets attributable to the owners of our Company as of 30 June 2011 is derived from the combined net assets attributable to the owners of our Company as of 30 June 2011 of HK$583,423,000 as reported in the Accountants' Report set out in Appendix I to this Prospectus, after deducting intangible assets of HK$9,220,000.

2. The estimated net proceeds from the Offering are based on the hypothetical Offer Price of HK$1.60 per Offer Share, assuming no exercise of the Over-allotment Option, after deduction of the underwriting fees and estimated expenses payable by us in connection with the Offering.

3. The unaudited pro forma net tangible asset value per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 417,518,668 Shares expected to be in issue immediately following the completion of the Offering, taking no account for the Share which may be issued pursuant to any exercise of the Over-allotment Option.

4. By comparing the valuation of the Group's property interests of HK$6,810,000 as set out in Appendix III to this Prospectus and the unaudited net book value of this property as of 31 September 2011 the net valuation surplus is approximately HK$5,827,000, which has not been included in the above net tangible assets attributable to owners of our Company as of 30 June 2011. The revaluation of the Group's property interest will not be incorporated in the Group's financial information as the Group's property, plant and equipment is stated at cost less accumulated depreciation and impairment losses if any. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately HK$162,000 per annum related to leasehold land and building would be recorded.

5. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2011. In particular, the unaudited pro forma net tangible assets of the Group attributable to the owners of the Company does not take into account the dividend of approximately HK$66.5 million declared by the Board of PC Partner Holdings Limited on 28 July 2011, of which HK$15,648,000 was paid to the shareholders on 1 August 2011.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

香港干諾道中111號
永安中心25樓

29 December 2011

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF PC PARTNER GROUP LIMITED

We report on the unaudited pro forma financial information ("Unaudited Pro Forma Financial Information") of PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors") for illustrative purpose only, to provide information about how the proposed listing might have affected the financial information presented, for inclusion in Section A of Appendix II of the prospectus dated 29 December 2011 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on Section A of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Chan Kam Wing, Clement
Practising Certificate Number P02038
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 September 2011 of the property interests of the Group.

Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

29 December 2011

The Board of Directors
PC Partner Group Limited
19/F., Shatin Galleria
18-24 Shan Mei Street
Fo Tan, Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which PC Partner Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in Hong Kong, Macau, Taiwan, the United State of America (the "US") and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 September 2011 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interest in Group I by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Group II, III, IV and V, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests of the Group in Hong Kong held under the Government Leases expiring before 30 June 1997 we have taken into account the stipulations contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases have been extended without premium until 30 June 2047 and that a rent of three per cent of the ratable value is charged per annum from the date of extension.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents and tenancy/lease agreements relating to the property interests in Hong Kong and have caused searches to be made at the Hong Kong Land Registries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have relied considerably on the advice given by the Company's PRC legal advisers — Guan Tao Law Firm, concerning the validity of the tenancy agreements in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars (HK$).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region and the US.

Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and 18 years of property valuation experience in Macau, the PRC, the United Kingdom as well as relevant experience in the Asia-Pacific region and the US.

SUMMARY OF VALUES

Group I — Property interest owned and occupied by the Group in Hong Kong

No.	Property	Capital value in existing state as at 30 September 2011	Interest attributable to the Group	Capital value attributable to the Group as at 30 September 2011
		HK$		*HK$*
1.	Workshop Nos. 15 to 18 on 15th Floor Yale Industrial Centre Nos. 61-63 Au Pui Wan Street Shatin New Territories	6,810,000	100%	6,810,000
	Sub-total:	**6,810,000**		**6,810,000**

Group II — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Capital value attributable to the Group as at 30 September 2011
		HK$
2.	Portion A on 3rd Floor Kerry Warehouse (Shatin) Nos. 36-42 Shan Mei Street Shatin New Territories	No Commercial Value
3.	Office units 1-3, 5-12 and 15-19 together with a Portion on 19th Floor Shatin Galleria Nos. 18-24 Shan Mei Street Shatin New Territories	No Commercial Value

No.	Property	Capital value attributable to the Group as at 30 September 2011
		HK$
4.	Workshop D35 on 6th floor Wah Lok Industrial Centre (Phase II) Nos. 31-35 Shan Mei Street Shatin New Territories	No Commercial Value
5.	Flat D on 17th Floor of Tower V and Car Parking Space No. 254 on 2nd Floor The Waterfront No. 1 Austin Road West Kowloon	No Commercial Value
6.	Units A and B on 21st Floor of Mai Wah Industrial Building Nos. 1-7 Wah Sing Street Kwai Chung New Territories	No Commercial Value
7.	Workshop Unit 9 on 8th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	No Commercial Value
8.	Workshop Unit 1 on 16th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	No Commercial Value
9.	Workshop Unit 2 on 16th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	No Commercial Value
	Sub-total:	**Nil**

Group III — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value attributable to the Group as at 30 September 2011 *HK$*
10.	Room 301 of Eastern Block and Rooms 301 and 302 of Western Block Tian An Innovative Technology Square Phase 2 Interchange of Binhe Road and Xiangmihu Road Futian District Shenzhen City Guangdong Province The PRC	No Commercial Value
11.	Flat B Level 8 Haojing Court Tianan Gaoerfu Haijing Garden Binhe Road Futian District Shenzhen City Guangdong Province The PRC	No Commercial Value
12.	Plants A and B Santun Lunpinyong South Road and No. 2 Houdao Road East Houjie Town Dongguan City Guangdong Province The PRC	No Commercial Value
13.	No. 3 Second Road Santun Center Avenue East Houjie Town Dongguan City Guangdong Province The PRC	No Commercial Value

No.	Property	Capital value attributable to the Group as at 30 September 2011 *HK$*
14.	Flat 608 Block A1 Santun Fuyi Garden Houjie Town Dongguan City Guangdong Province The PRC	No Commercial Value
15.	Room 1204 on Level 12 Entrance 1 of Block 60 Anli Road Chaoyang District Beijing The PRC	No Commercial Value
16.	2nd Floor Northern side of Peng Li Building No. 1039 Huaqiang South Road Futian District Shenzhen City Guangdong Province The PRC	No Commercial Value
	Sub-total:	**Nil**

Group IV — Property interest rented and occupied by the Group in Macau

No.	Property	Capital value attributable to the Group as at 30 September 2011 *HK$*
17.	Rua de Pequim No. 202A-246 Macau Finance Centre 16 Andar L Macau	No Commercial Value
	Sub-total:	**Nil**

Group V — Property interests rented and occupied by the Group in Overseas

No.	Property	Capital value attributable to the Group as at 30 September 2011 *HK$*
18.	12th Floor No. 278 Nanjing West Road Da Tong District Taipei City Taiwan	No Commercial Value
19.	Ground-level Unit 1001 Cheongjin Building 53-5 Wonhyo-ro 3-ga Yongsa-gu Seoul South Korea	No Commercial Value
20.	17921 Rowland Street City of industry CA91748 US	No Commercial Value
	Sub-total:	**Nil**

	Capital value in existing state as at 30 September 2011 *HK$*	Capital value attributable to the Group as at 30 September 2011 *HK$*
Grand total:	**6,810,000**	**6,810,000**

VALUATION CERTIFICATE

Group I — Property interest owned and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
1.	Workshop Nos. 15 to 18 on 15th Floor Yale Industrial Centre Nos. 61-63 Au Pui Wan Street Shatin New Territories (24/2380th share of Sha Tin Town Lot No. 174)	The property comprises 4 units on the 15th floor of a 16-storey (including the lower ground floor but excluding the roof) industrial building completed in about 1987. The property has a total gross floor area of approximately 341.5 sq.m. (or 3,676 sq.ft.) The property is held under a New Grant No. ST11738 for a term of 99 years commencing from 1 July 1898 and is statutorily extended to 30 June 2047.	The property is currently occupied by the Group for workshop and ancillary office purposes.	6,810,000 100% interest attributable to the Group: HK$6,810,000

Notes:

1. The registered owner of the property is Double Hero Petroleum Factory Limited, a wholly owned subsidiary of the Group vide Memorial No. ST1319242 dated 15 February 2003 at a consideration of HK$1,170,000.

2. The property is subject to a Deed of Mutual Covenant and Management Agreement vide Memorial No. ST379751 dated 10 July 1987 and a Sub-Deed of Mutual Covenant vide Memorial No. ST1104433 dated 7 July 1999.

3. The property is subject to an Occupation Permit No. NT 76/87 vide Memorial No. ST375189 dated 6 June 1987.

4. Compliance of the terms and conditions of the New Grant No. ST11738 is evidenced by a Letter of Compliance vide Memorial No. ST375190 dated 12 June 1987.

5. The property is subject to an Order No.C/TC/006057/08/NT by The Building Authority under S.24(1) of The Buildings Ordinance vide Memorial No. 09022301030196 dated 30 December 2008 as supplemented with the Letter of Withdrawal vide Memorial No. 09060900300111 dated 19 May 2009.

VALUATION CERTIFICATE

Group II — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
2.	Portion A on 3rd floor Kerry Warehouse (Shatin) Nos. 36-42 Shan Mei Street Shatin New Territories	The property comprises Portion A on the 3rd floor of a 15-storey industrial building completed in about 1988. The property has a lettable area of approximately 826.83 sq.m. (or 8,900 sq.ft.) Pursuant to a Tenancy Agreement dated 16 September 2009, the property is leased to PC Partner Limited, a wholly owned subsidiary of the Company, as lessee from Kerry Warehouse (Hong Kong) Limited an independent third party, as lessor for a term of 3 years commencing on 1 October 2009 and expiring on 30 September 2012, at a monthly rent of HK$44,500, exclusive of rates, government rent, management fees, water and electricity charges and other outgoings.	The property is currently occupied by the Group for warehouse purpose.	No commercial value

Note:

The registered owner of the property is Kerry Warehouse (Shatin) Limited vide Memorial No. ST1334178 dated 23 July 1999. By a copy letter dated 7 December 2011, the registered owner confirmed that Kerry Warehouse (Hong Kong) Limited has its consent to enter into the Tenancy Agreement for and on behalf of the registered owner.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
3.	Office units 1-3, 5-12 and 15-19 together with a Portion on 19th Floor Shatin Galleria Nos. 18-24 Shan Mei Street Shatin New Territories	The property comprises 16 office units and a portion on the 19th floor of a 20-storey office building completed in about 1990. The property has a total lettable area of approximately 1,074.33 sq.m. (or 11,564 sq.ft.) Pursuant to a Tenancy Agreement dated 3 May 2010, office units 1-3, 5-12 and 15-19 of the property are leased to PC Partner Limited, a wholly owned subsidiary of the Company, as lessee from Handsome Lift Investment (CI) Limited, an independent third party, as lessor for a term of 3 years commencing on 1 July 2010 and expiring on 30 June 2013 at a monthly rent of HK$133,601 exclusive of rates, government rent, management fee and air-conditioning charge and all Tenant's expenses and other outgoings of the rented premises of a non-capital and recurring nature. Pursuant to a Licence Agreement dated 19 April 2010, a portion on 19th Floor of the property is licensed to PC Partner Limited for a term of 3 years commencing on 1 July 2010 and expiring on 30 June 2013 at a monthly license fee of HK$1.00 inclusive of government rent, rates, air-conditioning and management charges but exclusive of all other outgoings (if any).	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

The registered owner of the property is Handsome Lift Investment (CI) Limited vide Memorial No. ST899846 dated 17 September 1996.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
4.	Workshop D35 on 6th floor Wah Lok Industrial Centre (Phase II) Nos. 31-35 Shan Mei Street Shatin New Territories	The property comprises an industrial unit on the 6th floor of a 22-storey industrial building completed in about 1991. The property has a lettable area of approximately 173.45 sq.m. (or 1,867 sq.ft.) Pursuant to a Tenancy Agreement dated 12 January 2010 and an Addendum dated 3 May 2011, the property is leased to PC Partner Limited, a wholly owned subsidiary of the Company, as lessee from Chuang Chin Yuan & Lee Pang Fai, an independent third party, as lessor for a term of 2 years commencing on 13 January 2010 and expiring on 12 January 2012, at a monthly rent of HK$11,000 for the period from 13 January 2010 to 12 April 2011 and a monthly rent of HK$13,000 for the period from 13 April 2011 to 12 January 2012, inclusive of rates, government rent and management fees and after the expiration of 12 months of the term of tenancy, either party has a right to terminate the tenancy by serving not less than 1 month's notice or by payment of 1 month's rent in lieu.	The property is currently occupied by the Group for industrial purpose.	No commercial value

Note:

The registered owner of the property is Chuang Chin Yuan and Lee Pang Fai (Tenants in common) vide Memorial No. 09110200780080 dated 15 October 2009. As at the date of the Tenancy Agreement, the property is subject to a Mortgage vide Memorial No. 09110200780092 dated 15 October 2009 in favour of Nanyang Commercial Bank, Limited. However, the mortgagee's consent to let has not been obtained and the absence of such mortgagee's consent may entitle the mortgagee to evict PC Partner Limited without payment of compensation when the mortgagee exercises its power of repossession under the mortgage.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
5.	Flat D on 17th Floor of Tower V and Car Parking Space No. 254 on 2nd Floor The Waterfront No. 1 Austin Road West Kowloon	The property comprises a unit and a car parking space on the 17th floor and the 2nd floor respectively of a 45-storey residential building completed in about 2000. The property has a lettable area of approximately 126.81 sq.m. (or 1,365 sq.ft.) Pursuant to a Tenancy Agreement dated 6 July 2010, the property was leased to PC Partner Limited, a wholly owned subsidiary of the Company, as lessee from Stutharn Limited, an independent third party, as lessor for a term of 2 years commencing on 15 July 2010 and expiring on 14 July 2012, at a monthly rent of HK$43,000, inclusive of rates and management fees but exclusive of service charge and other outgoings.	The property is currently occupied by the Group for residential and car parking purpose.	No commercial value

Note:

The registered owner of the property is Stutharn Limited vide Memorial No. 05042602550217 dated 31 March 2005. As at the date of the Tenancy Agreement, the property is subject to a Mortgage vide Memorial No. 05042602550228 dated 31 March 2005 in favour of Bank of China (Hong Kong) Limited. However, the mortgagee's consent to let has not been obtained and the absence of such mortgagee's consent may entitle the mortgagee to evict PC Partner Limited without payment of compensation when the mortgagee exercises its power of repossession under the mortgage.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
6.	Units A and B on 21st Floor of Mai Wah Industrial Building Nos. 1-7 Wah Sing Street Kwai Chung New Territories	The property comprises 2 units on the 21st floor of a 22-storey industrial building completed in about 1974. The property has a lettable area of approximately 660.07 sq.m. (or 7,105 sq.ft.) Pursuant to a Tenancy Agreement dated 10 May 2010, the property is leased to ASK Technology Group Ltd., a wholly owned subsidiary of the Company, as lessee from Joinrich (HK) Investment Limited, a connected party, as lessor for a term of two years commencing on 1 June 2010 and expiring on 31 May 2012 at a monthly rent of HK$50,000 (inclusive of management fee, government rent and rates) and either party has a right to terminate the tenancy with at least one month's notice to the other after the completion of 12 months of the term of the agreement.	The property is currently occupied by the Group for industrial purpose.	No commercial value

Note:

The registered owner of the property is Joinrich (HK) Investment Limited vide Memorial Nos. 07011101910257 dated 8 December 2006 and 0702150171022 dated 19 January 2007 for Units A and Unit B of the rented property respectively. As at the date of the Tenancy Agreement, the property is subject to a Mortgage and Assignment of Rentals vide Memorial Nos. 07010501850149 and 07010501850150 respectively both in favour of Bank of America (Asia) Limited and the relevant bank consent to let from the mortgagee has been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 HK$
7.	Workshop Unit 9 on 8th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	The property comprises a unit on the 8th floor of a 19-storey industrial building completed in about 1991. The property has a lettable area of approximately 83.70 sq.m. (or 901 sq.ft.) Pursuant to a Tenancy Agreement dated 30 April 2010, the property is rented by Manli Technology Group Limited, a wholly owned subsidiary of the Company, as lessee from Li Chi Kin & Tsui Yan Wing Edwin, an independent third party, as lessor for a term of 2 years commencing on 11 May 2010 and expiring on 10 May 2012, at a monthly rent of HK$7,700, inclusive of rates, government rent and management fees but exclusive of water and electricity charges, air-conditioning charges, other similar charges, pumping charges, telephone charges and with right to terminate the tenancy after the completion of 12 months of the agreement.	The property is currently occupied by the Group for warehouse purpose.	No commercial value

Note:

The registered owner of the property is Li Chi Kin and Tsui Yan Wing Edwin, Joint Tenant, vide Memorial No. 08031901050042 dated 25 February 2008. As the date of the Tenancy Agreement, the property is subject to a Mortgage and Assignment of Rentals vide Memorial Nos. 08031901050053 and 08031901050065 respectively both in favour of China Construction Bank (Asia) Corporation Limited. However, the mortgagee's consent to let has not been obtained and the absence of such mortgagee's consent may entitle the mortgagee to evict Manli Technology Group Limited without payment of compensation when the mortgagee exercises its power of repossession under the mortgage.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
8.	Workshop Unit 1 on 16th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	The property comprises a unit on the 16th floor of a 19-storey industrial building completed in about 1991. The property has a lettable area of approximately 107.77 sq.m. (or 1,160 sq.ft.) Pursuant to a Tenancy Agreement dated 19 March 2011, the property is rented by Manli Technology Group Limited, a wholly owned subsidiary of the Company, as lessee from Lee Wing Chung, a connected party, as lessor, for a term commencing from 1 May 2011 and expiring on 30 April 2013 at a monthly rent of HK$9,600 exclusive of rates, government rent, management fees, property tax, all outgoings, water and electricity charges and pumping charges.	The property is currently occupied by the Group for workshop and ancillary office purposes.	No commercial value

Note:

The registered owner of the property is Lee Wing Chung vide Memorial No. 05042701200071 dated 31 March 2005. As at the date of the Tenancy Agreement, the property is subject to a Mortgage vide Memorial No. 05042701200082 dated 31 March 2005 in favour of The Hongkong and Shanghai Banking Corporation Limited and the relevant bank consent to let from the mortgagee has been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
9.	Workshop Unit 2 on 16th Floor Seaview Centre Nos. 139-141 Hoi Bun Road Kowloon	The property comprises a unit on the 16th floor of a 19-storey industrial building completed in about 1991. The property has a lettable area of approximately 112.13 sq.m. (or 1,207 sq.ft.) Pursuant to a Tenancy Agreement dated 19 March 2011, the property is rented by Manli Technology Group Limited, a wholly owned subsidiary of the Company, as lessee from Man Wai Hung, a connected party, as lessor for a term of 2 years commencing from 1 May 2011 and expiring on 30 April 2013 at a monthly rent of HK$9,600, exclusive of rates, government rent, property tax, management fees, all outgoings, water and electricity charges and pumping charges.	The property is currently occupied by the Group for workshop and ancillary office purpose.	No commercial value

Note:

The registered owner of the property is Man Wai Hung vide Memorial No. 05042701200091 dated 31 March 2005.

VALUATION CERTIFICATE

Group III — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
10.	Room 301 of Eastern Block and Rooms 301 and 302 of Western Block Tian An Innovative Technology Square Phase 2 Interchange of Binhe Road and Xiangmihu Road Futian District Shenzhen City Guangdong Province the PRC	The property comprises 3 units on the 3rd floor of a 20-storey office building completed in about 2005. The property has a total lettable area of approximately 1,210.69 sq.m. Pursuant to two Tenancy Agreements dated 1 April 2010, Room 302 of Western Block of the property is leased to PC Partner Ltd. Shenzhen Rep. Office while Room 301 of Eastern and Room 301 of Western Block of the property are leased to Shenzhen Branch of Dongguan PC Partner Ltd., both are wholly owned subsidiary of the Company, as lessee, from Gao Yong (高勇), an independent third party, as lessor, for a term of 4.5 years commencing on 8 April 2010 and expiring on 7 October 2014, at a total monthly rent of RMB105,330.03 in the first 1.5 years and the rent will thereafter be increased by 5% per annum in the remaining term.	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. the lessor is the legal owner of the subject property and has rights to lease the property to the lessee; and

b. the tenancy agreements are legal, valid and enforceable to both parties, the company is entitled to use the property legally in the tenancy period.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
11.	Flat B Level 8 Haojing Court Tianan Gaoerfu Haijing Garden Binhe Road Futian District Shenzhen City Guangdong Province the PRC	The property comprises a unit on level 8 of a residential building completed in about 2000. The property has a lettable area of approximately 127.24 sq.m. Pursuant to a Tenancy Agreement dated 7 July 2011, the property is leased to PC Partner Ltd. Shenzhen Rep. Office, a wholly subsidiary of the Company, as lessee from Zhong Xing Fu (鍾興富), an independent third party, as lessor for a term of 2 years commencing from 7 July 2011 and expiring on 6 July 2013 at a monthly rent of RMB7,000 exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for residential purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's legal advisers, which contains, *inter alia*, the following:

a. The lessor is the legal owner of the subject property and has rights to lease the property to the lessee; and

b. The tenancy agreement is legal, valid and enforceable to both parties, the company is entitled to use the property legally in the tenancy period.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
12.	Plants A and B Santun Lunpinyong South Road and No. 2 Houdao Road East Houjie Town Dongguan City Guangdong Province the PRC	The property comprises 1 office building, 4 factory buildings, 9 staff quarters and various ancillary buildings completed in various stages from 1991 to 2010. The property has a total lettable area of approximately 122,940.23 sq.m. Pursuant to various Tenancy Agreements and relevant Supplementary Agreements, the property is leased to Dongguan PC Partner Ltd., a wholly owned subsidiary of the Company, as lessee from Dongguan Hai Fu Shi Ye Company Limited ("Dongguan Hai Fu") (東莞市海富實業有限公司), an independent third party, as lessor for various terms. (Please refer to notes 4-6 below for details.)	The property is currently occupied by the Group for office, factory and staff quarter purposes.	No commercial value

Notes:

1. Pursuant to two State-owned Land Use Rights Certificates — Dong Fu Guo Yong (1998) Zi Di Te No. 178 and Dong Fu Guo Yong (1999) Zi Di Te No. 499, the land use rights of the 2 parcels of land where the properties are erected with site areas of approximately 30,585 sq.m. and 63,108 sq.m. have been granted to Dongguan Hai Fu and Dongguan Yu Fu Shi Ye Company Limited ("Dongguan Yu Fu") (東莞市裕富實業有限公司) respectively for various terms with the expiry dates of 24 May 2048 and 30 November 2048 for industrial uses.

2. Pursuant to various Real Estate Title Certificates — Yue Fang Di Zheng Zi Di Nos. C2419832 and C2419833, Yue Fang Di Quan Zheng Guan Zi Di Nos. 1600180083, 1600180084, 1600180081 and 1600180082, the property, Plant A (except the temporary buildings with an area of approximately 3,304 sq.m.,) with a total gross floor area of approximately 50,017.74 sq.m. is owned by Dongguan Hai Fu.

3. Pursuant to various Real Estate Title Certificates — Yue Fang Di Quan Zheng Guan Zi Di Nos. 1600180097, 1600180098, 1600180092, 1600180093, 1600180099, 1600180095, 1600180094 and 1600180096, the property, Plant B, with a total gross floor area of approximately 69,300.86 sq.m. is owned by Dongguan Yu Fu.

4. Pursuant to a Tenancy Agreement dated 30 December 2009 Plant A of the property is leased to Dongguan PC Partner Ltd. with a total leased area of approximately 50,016.40 sq.m. plus 3,304 sq.m. temporary buildings from Dongguan Hai Fu for a term of 2 years commencing on 1 January 2010 and expiring on 31 December 2011 and the said lease term has been further renewed to be expired on 30 September 2017 at a monthly rent of HK$556,787.4, exclusive of management fees, water and electricity charges.

5. Pursuant to a Tenancy Agreement dated 30 December 2009, Plant B of the property is leased to Dongguan PC Partner Ltd. with a total leased area of approximately 62,151 sq.m. from Dongguan Hai Fu for a term commencing on 1 January 2010 and expiring on 30 September 2017 at a monthly rent of HK$455,774 in the first two months and HK$683,661 in the remaining months, both exclusive of management fees, water and electricity charges.

6. Pursuant to a Tenancy Agreement dated 5 August 2010, a staff quarter building in Plant B of the Property is leased to Dongguan PC Partner Ltd. with a total leased area of approximately 7,468.83 sq.m from Dongguan Hai Fu for a term commencing on 1 September 2010 and expiring on 30 September 2017 at a monthly rent of HK$104,563, exclusive of management fees, water and electricity charges.

7. Pursuant to a Promise and Deed of Security dated 6 May 2010 from Dongguan Hai Fu to the lessee for the temporary buildings of Plant A, that:

   i. no loss will be incurred due to the title problem;

   ii. within the tenancy period, Dongguan Hai Fu will give notice to the lessee in advance if there is any relocation of property. Dongguan Hai Fu will be responsible for the loss incurred due to this relocation.

8. Pursuant to a Letter of Authorization dated 2 January 2002, Dongguan Yu Fu has authorised Dongguan Hai Fu to lease and manage Plant B.

9. As advised by the group, pursuant to the tenancy agreement stated in Note 5, two villas of Plant B being rented with a total area of approximately 1,063.20 sq.m., had been demolished in 2010 and replaced by a staff quarter stated in Note 6. Yet, the monthly rent of the demolished buildings is still payable and the tenant shall pay the rent according to the tenancy agreement signed.

10. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. for Plant A (except the temporary buildings), the lessor is the legal owner of the subject property and has rights to lease the property (including the temporary buildings) to the lessee;

   b. without obtaining proper title document, the temporary buildings of Plant A may have a risk to be demolished;

   c. for Plant B, the lessor has the right to lease the property to the lessee;

   d. the tenancy agreements are legal, valid and enforceable to both parties, the company is entitled to use property legally in the tenancy period; and

   e. the tenancy agreements are still valid and effective even they have not been registered with relevant government authorities. It will not affect the legality of the company to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
13.	No. 3 Second Road Santun Center Avenue East Houjie Town Dongguan City Guangdong Province The PRC	The property comprises 1 factory building, 1 staff quarter and various ancillary buildings factory buildings completed in about 2000. The property has a lettable area of approximately 27,378.59 sq.m. Pursuant to a Tenancy Agreement dated 1 August 2008, the property is leased to Dongguan Tianpei Electronics Company Limited (東莞市天沛電子有限公司), a wholly owned subsidiary of the Company, as lessee from Dongguan Hai Fu Shi Ye Company Limited ("Dongguan Hai Fu") (東莞市海富實業有限公司), an independent third party, as lessor for a term commencing on 1 August 2008 and expiring on 31 December 2011 and the lease term has been further renewed to be expired on 30 September 2017, at a monthly rent of HK$301,160 exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for factory and staff quarter purposes.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Dong Fu Guo Yong (1999) Zi Di Te No. 499, the land use rights of the parcel of land where the properties are erected with a total site area of 63,108 sq.m. have been granted to Dongguan Yu Fu Company Limited ("Dongguan Yu Fu") (東莞市裕富實業有限公司) for a term expiring on 30 November 2048 for industrial uses.

2. Pursuant to various Real Estate Title Certificates — Yue Fang Di Quan Zheng Guan Zi Di Nos. 1600180076, 1600180077 and 1600180078, the property with a total gross floor area of approximately 27,378.20 sq.m. is owned by Dongguan Yu Fu.

3. Pursuant to a Letter of Authorization dated 2 January 2002, Dongguan Yu Fu has authorised Dongguan Hai Fu to lease and manage the property.

4. We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the tenancy agreement is legal, valid and enforceable to both parties, the company is entitled to use property legally in the tenancy period;

   b. the lessor is the legal owner of the subject property and has rights to lease the property to the lessee; and

   c. the tenancy agreement is still valid and effective even they have not been registered with relevant government authorities. It will not affect the legality of the company to use the property.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *RMB*
14.	Flat 608 Block A1 Santun Fuyi Garden Houjie Town Dongguan City Guangdong Province The PRC	The property comprises a unit on Level 6 of a residential building. The property has a gross floor area of approximately 73.24 sq.m. Pursuant to a Tenancy Agreement dated 6 June 2011 the property is leased to Dongguan PC Partner Ltd., a wholly owned subsidiary of the Company, as lessee from Zhong Qiu Xian (鍾秋先), an independent third party, as lessor for a term commencing from 1 June 2011 and expiring on 1 June 2012, at a monthly rental of RMB1,450, exclusive of management fees, water and electricity charges.	The property is currently occupied by the Group for residential purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC Legal Advisers, which contains, *inter alia*, the following:

a. the lessor is the legal owner of the subject property and has rights to lease the property to the lessee; and

b. the tenancy agreement is legal, valid and enforceable to both parties, the company is entitled to use the property legally in the tenancy period.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
15.	Room 1204 on level 12 Entrance 1 of Block 60 Anli Road Chaoyang District Beijing The PRC	The property comprises a residential unit on level 12 of a 24-storey residential building completed in about 2004. The property has a lettable area of approximately 202 sq.m. Pursuant to a Tenancy Agreement dated 8 April 2011, the property is leased to PC Partner Ltd. Beijing Rep. Office, a wholly owned subsidiary of the Company, as lessee from Yang Ming (楊銘), an independent third party, as lessor for a term of 3 years commencing on 1 May 2011 and expiring on 30 April 2014, at a monthly rent of RMB23,500 inclusive of management fees.	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. the lessor is the legal owner of the subject property and has rights to lease the property to the lessee;

b. the tenancy agreement is legal, valid and enforceable to both parties, the company is entitled to use property legally in the tenancy period;

c. the tenancy agreement is still valid and effective even they have not been registered with relevant government authorities. It will not affect the use right of the company to use the property; and

d. Pursuant to an agreement issued by the Owners Committee dated 31 May 2011, the usage of the property was agreed to be changed from residential to business operation.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
16.	2nd Floor Northern side of Peng Li Building 1039 Huaqiang South Road Futian District Shenzhen City Guangdong Province The PRC	The property comprises a unit on the 2nd floor of a 30-storey office building completed in about 2001. The property has a lettable area of approximately 1,055 sq.m. Pursuant to a Tenancy Agreement dated 1 September 2011, the property is leased to Manli Technology Group Ltd. Shenzhen Rep. Office, a wholly owned subsidiary of the Company, as lessee from Shenzhen Shang Bu Shi Ye Holdings Limited (深圳市上步實業股份有限公司), an independent third party, as lessor for a term of 2 years commencing on 1 September 2011 and expiring on 31 August 2012, at a monthly rent of RMB34,815 for the period from 1 September 2011 to 31 March 2012 and a monthly rent of RMB41,514.25 for the remaining period, inclusive of management fees and maintenance fund.	The property is currently occupied by the Group for office purpose.	No commercial value

Note:

We have been provided with a legal opinion on the legality of the tenancy agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

a. the lessor is the legal owner of the subject property and has rights to lease the property to the lessee; and

b. the tenancy agreement is legal, valid and enforceable to both parties, the company is entitled to use the property legally in the tenancy period.

VALUATION CERTIFICATE

Group IV — Property interest rented and occupied by the Group in Macau

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
17.	Rua de Pequim No. 202A-246 Macau Finance Centre 16 Andar L Macau	The property comprises an office unit on the 16th Floor of a 17-storey commercial building completed in about 1995. The property has a lettable area of approximately 88.26 sq.m. Pursuant to a Tenancy Agreement dated 20 April 2011, the property is leased to Zotac International (Macao Commercial Office) Limited, a wholly owned subsidiary of the Company, as lessee from IAO SON HONG TINTA EVERNIZES LIMITADA, an independent third party, as lessor for a term of 1 year commencing on 1 May 2011 and expiring on 30 April 2012, at a monthly rent of HK$11,550, inclusive of management fees.	The property is currently occupied by the Group for office purpose.	No commercial value

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in Overseas

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
18.	12th Floor No. 278 Nanjing West Road Da Tong District Taipei City Taiwan	The property comprises a unit on the 12th floor of a 13-storey commercial building completed in about 2000. The property has a total lettable area of approximately 211 sq.m. Pursuant to a Tenancy Agreement dated 4 August 2011, the property is leased to Manli Technology Group Ltd. – Taiwan Representative Office, a wholly owned subsidiary of the Company, as lessee from Lv Ying Cheng (呂穎成), an independent third party, as lessor for a term of 2 years commencing from 10 September 2011 and expiring on 9 September 2013 at a monthly rent of NT$63,000 exclusive of management fees, gas, water and electricity charges.	The property is currently occupied by the Group for office purpose.	No commercial value

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
19.	Ground-level Unit 1001 Cheongjin Building 53-5 Wonhyo-ro 3-ga Yohgsan-gu Seoul South Korea	The property comprises a unit in an office building completed in about 1996. The property has a lettable area of approximately 95.28 pyung (or 315 sq.m.) Pursuant to a Tenancy Agreement dated 1 May 2010, the property is leased to Zotac Korea, a wholly owned subsidiary of the Company, as lessee from Cheongjin Corp., an independent third party, as lessor for a term of 2 years commencing on 1 May 2010 and expiring on 30 April 2012, at a monthly rent of 3,000,000 WON, exclusive of maintenance fee which shall cover electricity, water, cleaning, security, parking management, and repairs and maintenance of building structures.	The property is currently occupied by the Group for office purpose.	No commercial value

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2011 *HK$*
20.	17921 Rowland Street City of industry CA91748 US	The property comprises an office and warehouse unit completed in about 1960. The property has a lettable area of approximately 557.41 sq.m. Pursuant to a Commercial Lease Agreement dated 28 June 2010, the property is leased to Zotac USA Inc., a wholly owned subsidiary of the Company, as lessee from Lee Beng Ang., an independent third party, as lessor for a term of 5 years commencing on 1 July 2010 and expiring on 30 June 2015, at a monthly rent of US$8,000 exclusive of all utilities and service charges and property operating expenses.	The property is currently occupied by the Group for office and warehouse purpose.	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 April 2010 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 21 December 2011. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the

Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 1 April 2010 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorised the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 27 April 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or

(ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1.1 Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 April 2010. The Company has established its principal place of business in Hong Kong at 19/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance since 27 August 2010. In connection with such registration, the Company has appointed Mr. Wong Shik Ho Tony of Flat D, 17/F., Tower V, The Waterfront, No. 1 Austin Road West, Jordan, Kowloon, Hong Kong as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles. A summary of various provisions of the Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

1.2 Changes in Share Capital of the Company

As at the date of incorporation of the Company, its authorised share capital was HK$100,000,000 divided into 1,000,000,000 Shares of HK$0.10 each.

On 1 April 2010, one subscriber's Share was transferred to Mr. Leung Wah Kan. On the same day, the Company issued and allotted for cash at par one Share to each of Mr. Wong Fong Pak and Mr. Wong Shik Ho Tony respectively.

On 21 December 2011, the Company issued and allotted 330,518,665 Shares in aggregate, all credited as fully paid, to the PC Partner Holdings Shareholders in the manner as set out below, in consideration of the PC Partner Holdings Shareholders transferring their respective shares in PC Partner Holdings, which in aggregate represent the entire issued share capital of PC Partner Holdings, to the Company:

Name of PC Partner Holdings Shareholder	No. of Shares
Perfect Choice	77,500,000
Classic Venture	72,850,000
Wong Shik Ho Tony	51,560,749
Wong Fong Pak	26,915,749
Daniel Kearney	22,475,000
Leung Wah Kan	21,250,499
Ho Nai Nap	19,984,538
Chiu Kan Ho	11,330,500
K.U. INTERNATIONAL LIMITED	6,277,500
Kingdom Right Limited	4,650,000
Lee Wing Chung	3,677,065
Man Wai Hung	3,677,065
Lee Ming Wai David	2,325,000
Lai Shui Wah	1,705,000
Tsang Chiu Po	1,550,000
Tsang Wan Wai	775,000
Fong Wing Fai	387,500
Gong Jian Hua	387,500
Hong Wen Zheng	232,500
Chow Hon Fat	155,000
Chow Pak Keung	155,000
Lau Chee Keung	155,000
Lee Po Yuk Juanne	155,000
Zhang Ji Ming	155,000
Lee Siu Wai	77,500
Liao Yang Lin	77,500
Liu Yao Ming	77,500

Assuming that the Offering becomes unconditional and the issue of the Shares pursuant to the Offering mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of the Company will be HK$41,751,866.8 divided into 417,518,668 Shares fully paid or credited as fully paid. Other than pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue shares referred to in the section headed "1. Further information about the Company and its subsidiaries — 1.3 Written resolutions of all the Shareholders passed on 14 December 2011 and 21 December 2011" in this Appendix V, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and under the section headed "1. Further information about the Company and its subsidiaries — 1.4 Corporate reorganisation" in this Appendix V, there has been no alteration in the share capital of the Company since its incorporation.

1.3 Written Resolutions of all the Shareholders passed on 14 December 2011 and 21 December 2011

On 14 December 2011, written resolutions of all the Shareholders were passed pursuant to which conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued upon exercise of the Over-allotment Option or the exercise of any options which may be granted under the Pre-IPO Share Option Scheme); and (B) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by WAG Worldsec, on behalf of the Underwriters) and not being terminated in accordance with their respective terms or otherwise, in each case on or before the date and time specified in the Underwriting Agreements, the rules of the Pre-IPO Share Option Scheme were approved and adopted and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Pre-IPO Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Pre-IPO Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme.

On 21 December 2011, written resolutions of all the Shareholders were passed pursuant to which, among others:

(a) the Directors were authorised to issue and allot, credited as fully paid at premium, a total of 330,518,665 Shares to the PC Partner Holdings Shareholders as consideration for the acquisition by the Company of the entire issued share capital of PC Partner Holdings from the PC Partner Holdings Shareholders;

(b) conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Pre-IPO Share Option Scheme); and (B) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sponsor, on behalf of the Underwriters) and not being terminated in accordance with their respective terms or otherwise, in each case on or before the date and time specified in the Underwriting Agreements:

  (i) the Offering was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Offering; and

  (ii) the Over-allotment Option was approved and the Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(c) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than pursuant to (i) a rights issue; (ii) an issue of Shares upon the exercise of the Over-allotment Option or upon the exercise of any subscription or conversion rights attaching to any bonds, warrants, debentures, notes or any securities which carry rights to subscribe for or are convertible into Shares; (iii) an issue of Shares upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers, employees and/or consultants of the Company and/or any of its subsidiaries and/or any other person of Shares or rights to acquire Shares; (iv) any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles; or (v) a specific authority granted by the Shareholders in general meeting) any unissued Shares with the aggregate nominal amount not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Offering but excluding any Shares that may be issued upon exercise of the Over-allotment Option, and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power to issue Shares either during or after the end of the Relevant Period (as defined below), such mandate to remain in effect during the period (the "**Relevant Period**") from the passing of the resolution granting such mandate until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(d) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed, and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with the aggregate nominal value not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Offering but excluding any Shares that may be issued upon exercise of the Over-allotment Option, such mandate to remain in effect from the passing of the resolution granting such mandate until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or applicable laws of the Cayman Islands to be held; and

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate (the "**Share Repurchase Mandate**");

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by the Company pursuant to the Share Repurchase Mandate, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Offering but excluding any Shares that may be issued upon exercise of the Over-allotment Option; and

(f) the Company approved and adopted the Memorandum and the Articles.

1.4 Corporate Reorganisation

The companies comprising the Group underwent a reorganisation to rationalize the corporate structure of the members of the Group in preparation for the Listing. The Reorganisation involved the following:

(a) On 1 April 2010, the Company was incorporated under the laws of the Cayman Islands with an authorised share capital of HK$100,000,000 consisting of 1,000,000,000 Shares of HK$0.10 each. On the same day, one subscriber's Share was transferred to Mr. Leung Wah Kan, and each of Mr. Wong Fong Pak and Mr. Wong Shik Ho Tony were allotted with one Share.

(b) By a unanimous written resolution of the shareholders of TDEK dated 8 April 2010 and a written resolution of the directors of PC Partner Holdings dated 15 April 2010, the 900,000 shares of PC Partner Holdings held by TDEK were resolved to be distributed to the 3 individual shareholders of TDEK, pursuant to which 580,000, 290,000 and 30,000 shares in PC Partner Holdings were distributed to Mr. Wong Shik Ho Tony, Mr. Daniel Kearney and Mr. Lee Ming Wai David respectively.

(c) On 20 April 2010, Mr. Yin and Dongguan Baineng entered into an equity interest transfer agreement pursuant to which Mr. Yin transferred 30% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB750,000.

(d) On 20 April 2010, Mr. Lin and Dongguan Baineng entered into an equity interest transfer agreement pursuant to which Mr. Lin transferred 70% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB1,750,000.

(e) On 11 January 2011, PC Partner International and Mr. Sean Tang entered into a stock purchase agreement pursuant to which Mr. Sean Tang sold 30,000 shares in Zotac Nevada (representing his 40% interest in Zotac Nevada) to PC Partner International at the nominal consideration of US$1.

(f) On 11 January 2011, PC Partner International and Mr. Sean Tang entered into a stock purchase agreement pursuant to which PC Partner International sold 45,000 shares in NALA Sales (representing its 60% interest in NALA Sales) to Mr. Sean Tang at the nominal consideration of US$1.

(g) On 14 December 2011, Mr. Ho, ASK Group, PC Partner and PC Partner Holdings entered into a sale and purchase agreement pursuant to which Mr. Ho sold 4,000 shares in ASK Group (representing his 40% interest in ASK Group) to PC Partner and in consideration thereof, PC Partner Holdings, as the holding company of PC Partner, allotted and issued 257,865 new shares in PC Partner Holdings to Mr. Ho.

(h) On 14 December 2011, Mr. Lee, Mr. Man, Manli Group, PC Partner and PC Partner Holdings entered into a sale and purchase agreement pursuant to which Mr. Lee and Mr. Man each sold 2,000 shares in Manli Group (representing their respective 20% interest in Manli Group) to PC Partner and in consideration thereof, PC Partner Holdings, as the holding company of PC Partner, allotted and issued 47,446 new shares in PC Partner Holdings to each of Mr. Lee and Mr. Man respectively.

(i) On 21 December 2011, the Company entered into a deed for sale and purchase with, inter alia, the PC Partner Holdings Shareholders pursuant to which the Company acquired from the PC Partner Holdings Shareholders in aggregate 4,264,757 shares in PC Partner Holdings (representing in aggregate the entire issued share capital of PC Partner Holdings) and in consideration thereof, the Company allotted and issued in aggregate 330,518,665 Shares to the PC Partner Holdings Shareholders credited as fully paid in such proportion as shall mirror their then shareholding proportion in PC Partner Holdings such that the shareholding structure of PC Partner Holdings is replicated at the Company level.

1.5 Changes in Share Capital of Subsidiaries

The Company's subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix I to this prospectus. The following alterations in the share capital or registered capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) Dongguan Baineng

On 6 July 2010, the registered capital of Dongguan Baineng was increased from US$8,600,000 to US$12,600,000.

On 5 January 2011, the registered capital of Dongguan Baineng was increased from US$12,600,000 to US$18,600,000.

On 29 April 2011, the registered capital of Dongguan Baineng was increased from US$18,600,000 to US$21,600,000.

(b) PC Partner Holdings

On 20 December 2011, PC Partner Holdings allotted and issued 257,865 shares credited as fully paid to Mr. Ho as consideration for the acquisition by PC Partner from Mr. Ho of his 40% interests in ASK Group.

On 20 December 2011, PC Partner Holdings allotted and issued 47,446 shares credited as fully paid to each of Mr. Lee and Mr. Man as consideration for the acquisition by PC Partner from each of Mr. Lee and Mr. Man of their respective 20% interests in Manli Group.

(c) Zotac Korea

The allotment to and subscription by, and payment of subscription price by, Zotac Macao for initial shares of 111,964 common shares of KRW 5,000 each in Zotac Korea for cash at par were made on 11 May 2010, and subsequently Zotac Korea was incorporated as of 12 May 2010 with an authorised share capital of KRW 2,239,280,000 divided into 447,856 common shares of KRW 5,000 each.

(d) Dongguan Tianpei

On 15 March 2011, the registered capital of Dongguan Tianpei was increased from RMB2,500,000 to RMB5,000,000.

On 25 July 2011, the registered capital of Dongguan Tianpei was increased from RMB5,000,000 to RMB15,000,000.

On 11 November 2011, the registered capital of Dongguan Tianpei was increased from RMB15,000,000 to RMB17,500,00.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

2. REPURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

2.1 Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(1) Shareholders' Approval

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a written resolution of all the Shareholders passed on 21 December 2011, the Share Repurchase Mandate was given to the Directors authorising any repurchase by the Company of Shares as described above in the section headed "1. Further information about the Company and its subsidiaries — 1.3 Written resolutions of all the Shareholders passed on 14 December 2011 and 21 December 2011" in this Appendix V.

(2) Source of Funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands.

2.2 Exercise of the Share Repurchase Mandate

Exercise in full of the Share Repurchase Mandate, on the basis of 417,518,668 Shares in issue immediately after completion of the Offering (taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme), would result in up to 41,751,866 Shares being repurchased by the Company during the period up to the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles and the applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing the Share Repurchase Mandate.

2.3 Reasons for Repurchases

Repurchases of Shares will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

2.4 Funding of Repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Share Repurchase Mandate, repurchases will be made out of funds of the Company legally permitted to be utilised in this connection, including profits of the Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. In the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company or, subject to the Companies Law, out of capital of the Company. The Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

2.5 General

No repurchase of Shares had been made by the Company since its incorporation.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles and the applicable laws of the Cayman Islands in force from time to time.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Share Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell any Shares held by he/she/it to the Company, or has undertaken not to do so, if the Share Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers (the "Takeovers Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any other consequence which may arise under the Takeovers Code as a result of any repurchases pursuant to the Share Repurchase Mandate.

3. FURTHER INFORMATION ABOUT THE BUSINESS

3.1 Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) an equity interest transfer agreement dated 20 April 2010 entered into between Mr. Yin and Dongguan Baineng pursuant to which Mr. Yin agreed to transfer 30% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB750,000;

(b) an equity interest transfer agreement dated 20 April 2010 entered into between Mr. Lin and Dongguan Baineng pursuant to which Mr. Lin agreed to transfer 70% equity interest in Dongguan Tianpei to Dongguan Baineng at the consideration of RMB1,750,000;

(c) a supplemental agreement dated 11 May 2010 entered into between PC Partner, Mr. Ho and ASK Group pursuant to which the parties agreed to amend the price fixing method for PC Partner to acquire Mr. Ho's 40% interest in ASK Group prior to Listing as set out in a shareholders' agreement dated 12 October 2009 between PC Partner, Mr. Ho and ASK Group;

(d) a supplemental agreement dated 11 May 2010 entered into between PC Partner, Mr. Man, Mr. Lee and Manli Group pursuant to which the parties agreed to amend the price fixing method for PC Partner to acquire Mr. Man's and Mr. Lee's respective 20% interest in Manli Group prior to Listing as set out in a shareholders' agreement dated 28 October 2009 between PC Partner, Mr. Man, Mr. Lee and Manli Group;

(e) a termination agreement dated 19 August 2010 entered into between Dongguan Baiye and PC Partner terminating a processing agreement (Dong Fu Xie No. (1997) 008), releasing machinery supplied by PC Partner to Baineng Factory and transferring the same to Dongguan Baineng;

(f) a stock purchase agreement dated 11 January 2011 entered into between PC Partner International and Mr. Sean Tang pursuant to which Mr. Sean Tang agreed to sell 30,000 shares of common stock in Zotac Nevada to PC Partner International at the consideration of US$1;

(g) a stock purchase agreement dated 11 January 2011 entered into between PC Partner International and Mr. Sean Tang pursuant to which PC Partner International agreed to sell 45,000 shares of common stock in NALA Sales to Mr. Sean Tang at the consideration of US$1;

(h) a sale and purchase agreement dated 14 December 2011 entered into between Mr. Ho, ASK Group, PC Partner and PC Partner Holdings pursuant to which Mr. Ho agreed to transfer 4,000 shares in ASK Group to PC Partner at the consideration of HK$87,831,960 to be satisfied by the allotment and issue by PC Partner Holdings of 257,865 new shares in PC Partner Holdings to Mr. Ho;

(i) a deed of indemnity dated 14 December 2011 entered into between Mr. Ho, PC Partner Holdings, PC Partner and ASK Group for itself and as trustee for Innovision Multimedia pursuant to which Mr. Ho has given certain indemnities in favour of PC Partner Holdings, PC Partner, ASK Group and Innovision Multimedia to the extent as to his 40% shareholding in ASK Group as at the date of such deed;

(j) a sale and purchase agreement dated 14 December 2011 entered into between Mr. Lee, Mr. Man, Manli Group, PC Partner and PC Partner Holdings, pursuant to which Mr. Lee and Mr. Man each agreed to sell 2,000 shares in Manli Group to PC Partner and at the aggregate consideration of HK$32,321,148 to be satisfied by the allotment and issue by PC Partner Holdings of 47,446 new shares in PC Partner Holdings to each of Mr. Lee and Mr. Man respectively;

(k) a deed of indemnity dated 14 December 2011 entered into between Mr. Man, Mr. Lee, PC Partner Holdings, PC Partner and Manli Group pursuant to which each of Mr. Man and Mr. Lee has given certain indemnities in favour of PC Partner Holdings, PC Partner and Manli Group to the extent as to his respective 20% shareholding in Manli Group as at the date of such deed;

(l) a deed dated 21 December 2011 entered into between Wong Shik Ho Tony, Wong Fong Pak, Leung Wah Kan, Lai Shui Wah, Tsang Chiu Po, Tsang Wan Wai, Fong Wing Fai, Gong Jian Hua, Hong Wen Zheng, Chow Hon Fat, Chow Pak Keung, Lau Chee Keung, Lee Po Yuk Juanne, Zhang Ji Ming, Lee Siu Wai, Liao Yang Lin, Liu Yao Ming and PC Partner Holdings (the "Waiver Parties") pursuant to which, inter alia, each of the parties to such deed unconditionally and irrevocably waived (i) all rights which it may have in connection with or relating to the shares of PC Partner Holdings held by the Waiver Parties, (ii) all restrictions conferred upon the other Waivers Parties in connection with or relating to the shares of PC Partner Holdings held by the Waiver Parties, and (iii) all obligations which the other parties to such deed may have in connection with or relating to the shares of PC Partner Holdings held by the Waiver Parties;

(m) a deed for sale and purchase dated 21 December 2011 entered into between (i) the PC Partner Holdings Shareholders as vendors, (ii) Classic Venture, Perfect Choice, Mrs. Ho Wong Mary Mee-Tak, Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Ho and Mr. Man as warrantors and (iii) the Company as purchaser, pursuant to which the Company agreed to acquire in aggregate 4,264,757 shares in PC Partner Holdings from the PC Partner Holdings Shareholders in consideration of the allotment and issue by the Company of in aggregate 330,518,665 new Shares credited as fully paid to the PC Partner Holdings Shareholders as follows:

Name of PC Partner Holdings Shareholder	**No. of Shares**
Perfect Choice	77,500,000
Classic Venture	72,850,000
Wong Shik Ho Tony	51,560,749
Wong Fong Pak	26,915,749
Daniel Kearney	22,475,000
Leung Wah Kan	21,250,499
Ho Nai Nap	19,984,538
Chiu Kan Ho	11,330,500
K.U. INTERNATIONAL LIMITED	6,277,500
Kingdom Right Limited	4,650,000
Lee Wing Chung	3,677,065
Man Wai Hung	3,677,065
Lee Ming Wai David	2,325,000
Lai Shui Wah	1,705,000
Tsang Chiu Po	1,550,000
Tsang Wan Wai	775,000
Fong Wing Fai	387,500
Gong Jian Hua	387,500
Hong Wen Zheng	232,500
Chow Hon Fat	155,000

Name of PC Partner Holdings Shareholder	No. of Shares
Chow Pak Keung	155,000
Lau Chee Keung	155,000
Lee Po Yuk Juanne	155,000
Zhang Ji Ming	155,000
Lee Siu Wai	77,500
Liao Yang Lin	77,500
Liu Yao Ming	77,500

(n) a deed of non-competition dated 21 December 2011 executed by the Controlling Shareholders in favour of the Company, particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in this prospectus;

(o) the Public Offer Underwriting Agreement dated 28 December 2011 entered into by, among others, the Company, the Controlling Shareholders, the Sponsor, Luen Fat and the Public Offer Underwriters, details of which are set out in the section headed "Underwriting" in this prospectus; and

(p) a deed of indemnity dated 28 December 2011 entered into between the Controlling Shareholders, Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan and the Company for itself and as trustee for its subsidiaries pursuant to which the Controlling Shareholders, Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak and Mr. Leung Wah Kan have given certain indemnities in favour of the Group containing, inter alia, the indemnities referred to in the paragraph headed "Estate duty, tax and other indemnity" under the section headed "Other Information" in this Appendix.

4. INTELLECTUAL PROPERTY OF THE GROUP

4.1 Intellectual property rights

(a) As at the Latest Practicable Date, the Group had registered the following trademarks:

Trademark	Name of Registrant	Place of Registration	Trademark No.	Class	Effective period of registration
PCPartner	PC Partner	Hong Kong	300484056	9	25 August 2005 to 24 August 2015
PCPartner	PC Partner	Australia	1073738	9	5 September 2005 to 5 September 2015
PCPartner	PC Partner	European Union	004961661	9	2 March 2006 to 2 March 2016
PCPartner	PC Partner	Taiwan	01213767	9	16 June 2006 to 15 June 2016
PCPartner	PC Partner	US	3346604	9	4 December 2007 to 4 December 2017
PCPartner	PC Partner	PRC	4891205	9	14 December 2010 to 13 December 2020
ZOTAC	Zotac Macao *(Note 1)*	Hong Kong	300484065	9	25 August 2005 to 24 August 2015
ZOTAC	Zotac Macao *(Note 1)*	Australia	1073732	9	5 September 2005 to 5 September 2015
ZOTAC	Zotac Macao *(Note 1)*	European Union	004927968	9	21 February 2006 to 21 February 2016
ZOTAC	Zotac Macao *(Note 1)*	Taiwan	01213766	9	16 June 2006 to 15 June 2016

Trademark	Name of Registrant	Place of Registration	Trademark No.	Class	Effective period of registration
ZOTAC	Zotac Macao *(Note 1)*	US	3296051	9	25 September 2007 to 25 September 2017
ZOTAC	Zotac Macao *(Note 1)*	PRC	4891206	9	7 September 2008 to 6 September 2018
ZOTAC	Zotac Macao *(Note 1)*	Canada	TMA691,558	*(Note 2)*	6 July 2007 to 6 July 2022
ZOTAC	Zotac Macao	Hong Kong	301250441	9	3 December 2008 to 2 December 2018
ZOTAC	Zotac Macao	Australia	1275416	9	4 December 2008 to 4 December 2018
ZOTAC	Zotac Macao	European Union	007437891	9	3 December 2008 to 3 December 2018
ZOTAC	Zotac Macao	New Zealand	799941	9	4 December 2008 to 4 December 2018
ZOTAC	Zotac Macao	Switzerland	585982	9	24 December 2008 to 24 December 2018
ZOTAC	Zotac Macao	Russia	400644	9	24 December 2008 to 24 December 2018
ZOTAC	Zotac Macao *(Note 3)*	Turkey	2008 73370	9	25 December 2008 to 25 December 2018
ZOTAC	Zotac Macao	Ukraine	125963	9	5 January 2009 to 5 January 2019
ZOTAC	Zotac Macao	South Africa	2009/00284	9	5 January 2009 to 4 January 2019
ZOTAC	Zotac Macao	Israel	218213	9	6 January 2009 to 6 January 2019
ZOTAC	Zotac Macao	Indonesia	IDM000261156	9	7 January 2009 to 7 January 2019

Trademark	Name of Registrant	Place of Registration	Trademark No.	Class	Effective period of registration
ZOTAC	Zotac Macao	Croatia	Z20090055	9	12 January 2009 to 12 January 2019
ZOTAC	Zotac Macao	Thailand	Kor320330	9	19 January 2009 to 18 January 2019
ZOTAC	Zotac Macao	India	1776063	9	20 January 2009 to 20 January 2019
ZOTAC	Zotac Macao	Malaysia	09050015	9	22 January 2009 to 22 January 2019
ZOTAC	Zotac Macao	Iran	183275	9	28 January 2009 to 28 January 2019
ZOTAC	Zotac Macao	Japan	5270394	9	2 October 2009 to 2 October 2019
ZOTAC	Zotac Macao	Taiwan	01385497	9	16 November 2009 to 15 November 2019
ZOTAC	Zotac Macao	The Philippines	4-2009-000958	9	18 February 2010 to 18 February 2020
ZOTAC	Zotac Macao	US	3805408	9	22 June 2010 to 22 June 2020
ZOTAC	Zotac Macao	South Korea	40-0829116	9	7 July 2010 to 7 July 2020
ZOTAC	Zotac Macao *(Note 3)*	PRC	7132740	9	14 October 2010 to 13 October 2020
ZOTAC	Zotac Macao	Canada	TMA802,846	*(Note 2)*	22 July 2011 to 22 July 2026
ZOTAC	Zotac Macao *(Note 3)*	Brazil	830163603	9	16 August 2011 to 16 August 2021
manli	Manli Group	Singapore	T0901368A	9	10 February 2009 to 10 February 2019
manli	Manli Group	Taiwan	01377774	9	16 September 2009 to 15 September 2019

Trademark	Name of Registrant	Place of Registration	Trademark No.	Class	Effective period of registration
manli	Manli Group	Malaysia	09003270	9	2 March 2009 to 2 March 2019
manli	Manli Group	South Korea	40-0827469	9	23 June 2010 to 23 June 2020
manli	Manli Group	Indonesia	IDM000271265	9	17 February 2009 to 17 February 2019
manli	Manli Group	The Philippines	4-2009-002006	9	9 October 2009 to 9 October 2019
inno3D	Innovision Multimedia	Hong Kong	200100548	9	3 February 2000 to 3 February 2017
inno3D	Innovision Multimedia	European Union	001608504	9	31 March 2000 to 31 March 2020
innoDV	Innovision Multimedia	Hong Kong	2002B16085	9	9 November 2000 to 9 November 2017
innoDV	Innovision Multimedia	European Union	001982743	9	24 November 2000 to 24 November 2020
映 众	Innovision Multimedia	PRC	4003125	9	14 May 2006 to 13 May 2016
iChiLL	Innovision Multimedia	Hong Kong	300820773	9	26 February 2007 to 25 February 2017
iChiLL	Innovision Multimedia	European Union	009304858	9	10 August 2010 to 10 August 2020

Trademark	Name of Registrant	Place of Registration	Trademark No.	Class	Effective period of registration
amp!	Zotac Macao	US	3,500,742	9	16 September 2008 to 16 September 2018
NITRO	Zotac Macao	European Union	007393861	9	14 November 2008 to 14 November 2018
FREEZER	Innovision Multimedia	Hong Kong	301285245	9	11 February 2009 to 10 February 2019
ZONE EDITION	Zotac Macao	US	3,632,050	9	2 June 2009 to 2 June 2019
innoAX	Innovision Multimedia	Hong Kong	200304400	9	10 July 2002 to 10 July 2019
innoAX	Innovision Multimedia	European Union	002804615	9	10 July 2002 to 10 July 2012
ZOTAC MaG	Zotac Macao	European Union	008617888	9	15 October 2009 to 15 October 2019
A. ZBOX B. ZBOX	Zotac Macao *(Note 3)*	Hong Kong	301589743	9	16 April 2010 to 15 April 2020
ZBOX	Zotac Macao *(Note 3)*	PRC	8177849	9	7 April 2011 to 6 April 2021
Vapor Freeze	Innovision Multimedia	Hong Kong	301634012	9	8 June 2010 to 7 June 2020

Notes:

1. The name of the registrant of this trademark has been filed as "Zotac International (MCO) Ltd." instead of the official name of Zotac Macao (being "Zotac International (Macao Commercial Offshore) Limited"). Since this trademark is either superseded by a new trademark or was only used in relation to discontinued products, the Group does not intend to rectify the registration of the same. Please refer to the section headed "Risk factors — The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others" for the risks associated with the use of the abbreviated name.

2. The certificate of registration in respect of this trademark does not specify the class in which the trademark was registered. However, the specification of the goods and/or services as set out in the certificate of registration is similar to that stated in the certificate of registrations of the same trademark in other countries.

3. The name of the registrant of this trademark has been filed as "Zotac International (MCO) Ltd." instead of the official name of Zotac Macao (being "Zotac International (Macao Commercial Offshore) Limited") and the Company has already applied to the relevant trademark authority to rectify the name. Please refer to the section headed "Risk factors — The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others" for the risks relating to the failure to rectify the name of registrant for this trademark.

4. Class 9 refers to classification 9 under the 9th edition of the NICE Classification by the World Intellectual Property Organization ("WIPO") which includes scientific, nautical, surveying, electric, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus. Further details of the NICE Classification can be found at the website of WIPO (http://www.wipo.int/classifications/en).

(b) As at the Latest Practicable Date, we had the following pending trademarks:

Trademark	Name of Applicant	Place of Application	Class	Date of Application	Application No.
PC Partner	PC Partner	PRC	9	16 July 2010	8485704
ZOTAC	Zotac Macao	Argentina	9	21 January 2009	2889224
ZOTAC	Zotac Macao	United Arab Emirates	9	3 March 2009	126609
ZOTAC	Zotac Macao	Saudi Arabia	9	18 December 2010	162852
ZOTAC MAG	Zotac Macao *(Note 2)*	US	9	15 October 2009	77849954

Trademark	Name of Applicant	Place of Application	Class	Date of Application	Application No.
索泰 ZOTAC	Zotac Macao *(Note 1)*	PRC	9	31 December 2009	7961396
ZBOX	Zotac Macao	European Union	9	19 April 2010	009035544
ZBOX	Zotac Macao *(Note 1)*	US	9	16 April 2010	85016187
ZBOX	Zotac Macao	South Korea	9	31 August 2010	40-2010-0045301
	Zotac Macao	Saudi Arabia	9	18 December 2010	162853
	Zotac Macao *(Note 1)*	United Arab Emirates	9	12 October 2010	148111

Notes:

1. The name of applicant in the application form for this trademark has been filed as "Zotac International (MCO) Ltd." instead of the official name of Zotac Macao (being "Zotac International (Macao Commercial Offshore) Limited") and the Company has already applied to the relevant trademark authority to rectify the name. Please refer to the section headed "Risk factors — The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others" for the risks relating to the failure to rectify the name of applicant for this trademark.

2. The name of applicant in the application form for this trademark has been filed as "Zotac International (MCO) Ltd." instead of the official name of Zotac Macao (being "Zotac International (Macao Commercial Offshore) Limited"). Since this trademark is either superseded by a new trademark or was only used in relation to discontinued products, the Group does not intend to rectify the name of applicant of this application. Please refer to the section headed "Risk factors — The Group may not be able to protect its patents and non-patented intellectual property rights, or the Group may be subject to claims for the infringement of intellectual property rights of others" for the risks associated with the use of the abbreviated name.

3. Class 9 refers to classification 9 under the 9th edition of the NICE Classification by the World Intellectual Property Organization ("WIPO") which includes scientific, nautical, surveying, electric, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus. Further details of the NICE Classification can be found at the website of WIPO (http://www.wipo.int/classifications/en).

4. As at the Latest Practicable Date, the Group has not received any notification from any of the intellectual property departments where the Group has pending trademarks applications that there is any legal impediments for the Group to complete registration of unregistered trademarks outstanding for more than 3 years.

(c) As at the Latest Practicable Date, the Group had registered the following patents:

Patent	Name of Registrant	Place of Registration	Type	Registration No.	Period of Validity
改良式風扇軸心	PC Partner	Taiwan	Utility	M383647	1 July 2010 to 17 January 2020
改良式風扇軸心	Dongguan Baineng	PRC	Utility	ZL 2010 2 0108584.1	28 January 2010 to 27 January 2020
具防塵機制的扇輪	PC Partner	Taiwan	Utility	M383649	1 July 2010 to 24 January 2020
具有防塵機制的扇輪	Dongguan Baineng	PRC	Utility	ZL 2010 2 0116120.5	2 February 2010 to 1 February 2020
Mini PCI-E 設備的安裝結構	Dongguan Baineng	PRC	Utility	ZL 2010 2 0134801.4	17 March 2010 to 16 March 2020
Mini PCI-E 設備的自適應安裝結構	Dongguan Baineng	PRC	Utility	ZL 2010 2 0134809.0	17 March 2010 to 16 March 2020
Mini PCI-E 設備的活動式安裝結構	Dongguan Baineng	PRC	Utility	ZL 2010 2 0134791.4	17 March 2010 to 16 March 2020
微型計算機 (Zotac MAG-III)	Zotac Macao	PRC	Industrial Design	ZL 2010 3 0175504.X	6 May 2010 to 5 May 2020
一種SMT信息快速核對系统	Dongguan Baineng	PRC	Utility	ZL 2010 2 0296885.1	19 August 2010 to 18 August 2020
Computers	Zotac Macao	European Union	Community Design	001942830-0001	4 November 2011 to 4 November 2016

(d) As at the Latest Practicable Date, the Group had the following pending patent applications and the recordal of assignment of such patents were still pending:

Patent	Name of Applicant	Place of Application	Type	Application No.	Date of Application
Mounting Structure for Mini PCI-E Equipment and a Computer using the same	Dongguan Baineng	US	Utility	13/041,861	7 March 2011
迷你計算機	Dongguan Baineng	PRC	Industrial Design	201130390445.2	28 October 2011
一種筆記本電腦	Dongguan Baineng	PRC	Utility	201120444021.4	10 November 2011
自有通風散熱功能的筆記本電腦	Dongguan Baineng	PRC	Utility	201120443994.6	10 November 2011
具有人體工程學的筆記本電腦	Dongguan Baineng	PRC	Utility	201120443770.5	10 November 2011

(e) As at the Latest Practicable Date, the Group had registered the following domain names:

Registrant	Domain Name	Expiry Date
PC Partner	pcpartner.com	9 April 2015
PC Partner	dg-pcpartner.com	24 July 2012
PC Partner	dg-pcpartner.com.cn	24 July 2012
PC Partner	ismart-tech.com	4 November 2013
PC Partner	zotac-china.com	21 April 2014
PC Partner	zotacchina.com	21 April 2014
Dongguan Baineng	索泰.中国／索泰.cn	5 July 2014
Dongguan Baineng	索泰顯卡.中国／索泰顯卡.cn／索泰显卡.中国／索泰显卡.cn	11 April 2014
PC Partner	索泰显卡.com	11 April 2014
Dongguan Baineng	索泰科技.中国／索泰科技.cn	11 April 2014
PC Partner	索泰科技.com	11 April 2014
PC Partner	pcpelectronics.com	18 May 2014
PC Partner	zotac.at	19 February 2014
PC Partner	zotac.be	26 March 2014
PC Partner	zotac.ch	29 March 2014
PC Partner	zotac.co.ee	26 March 2012
PC Partner	zotac.co.kr	29 March 2014

Registrant	Domain Name	Expiry Date
PC Partner	zotac.co.nz	29 March 2014
PC Partner	zotac.com.hk	29 March 2014
PC Partner	zotac.com.tw	21 March 2014
PC Partner	zotac.cz	2 April 2014
Zotac Macao	zotac.de	3 October 2012
PC Partner	zotac.es	21 March 2014
PC Partner	zotac.fr	10 July 2012
PC Partner	zotac.gr	29 March 2013
PC Partner	zotac.hk	29 March 2014
PC Partner	zotac.hu	23 April 2014
PC Partner	zotac.it	6 May 2014
PC Partner	zotac.jp	29 March 2014
PC Partner	zotac.li	22 April 2012
PC Partner	zotac.mobi	3 April 2014
PC Partner	zotac.nl	23 March 2014
PC Partner	zotac.ph	29 March 2014
PC Partner	zotac.pl	29 March 2014
PC Partner	zotac.ro	28 March 2013
PC Partner	zotac.sg	29 March 2013
PC Partner	zotac.tw	19 April 2014
PC Partner	zotac.us	28 March 2014
PC Partner	zotac.tv	11 July 2013
PC Partner	zotac.vn	1 April 2012
PC Partner	pcphldg.com	1 February 2012
PC Partner	pcphldg.com.hk	1 February 2012
PC Partner	pcpholdings.com.hk	1 February 2012
PC Partner	exceltl.com	7 November 2012
PC Partner	zotac.ae	27 April 2013
ASK Group	inno3d.com	21 July 2012
ASK Group	ivmm.com	7 February 2012
ASK Group	force3d.com	15 January 2013
ASK Group	inno4d.com	14 January 2012
ASK Group	one-3d.com	14 January 2012
ASK Group	ask-3d.com	18 December 2012
ASK Group	ask.com.hk	15 April 2013
ASK Group	ask.hk	15 April 2013
ASK Group	innodv.com	24 April 2012
ASK Group	innoax.com	3 August 2012
ASK Group	inno3d.hk	11 May 2015
ASK Group	inno3d.com.hk	1 November 2015

Registrant	Domain Name	Expiry Date
Zotac Macao	zotac.biz	19 March 2012
Zotac Macao	zotac.info	20 March 2012
Zotac Macao	zotac.net	20 March 2012
Zotac Macao	zotac.org	20 March 2012
Zotac Macao	zotaconline.com	20 March 2012
Zotac Macao	zotacstore.com	20 March 2012
Zotac Macao	zotac.com.tr	30 March 2012
Zotac Macao	pcpartner-zotac.com	16 April 2012
Zotac Macao	zotac.dk	25 July 2012
Zotac Macao	zotac.eu	31 July 2012
Zotac Macao	zotac.in	29 March 2014
Zotac Macao	zotac.com	1 April 2015
Dongguan Tianpei	dg-tianpei.com	30 June 2013
Manli Group	manli.com	17 January 2013
Zotac Korea	zotackor.co.kr	29 March 2013

5. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

5.1 Interests and Short Positions of Directors in the Share Capital of the Company

(i) Interest in Shares

Immediately following completion of the Offering (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed

Companies contained in the Listing Rules to be notified to the Company and the Stock Exchange are set out as follows:

Name	Long/Short position	Type of interest	Number of Shares immediately after completion of the Offering but without taking into account the exercise of the Over-allotment Option	Approximate percentage of shareholding in the Company immediately after completion of the Offering but without taking into account the exercise of the Over-allotment Option
Mrs. Ho Wong Mary Mee-Tak *(Note)*	Long position	Interest in controlled corporations	132,350,000	31.70%
Mr. Wong Shik Ho Tony	Long position	Beneficial owner	51,560,750	12.35%
Mr. Wong Fong Pak	Long position	Beneficial owner	26,915,750	6.45%
Mr. Leung Wah Kan	Long position	Beneficial owner	21,250,500	5.09%
Mr. Ho Nai Nap	Long position	Beneficial owner	19,984,538	4.79%
Mr. Man Wai Hung	Long position	Beneficial owner	3,677,065	0.88%

Note: These 132,350,000 Shares are owned as to 54,850,000 Shares by Classic Venture and 77,500,000 Shares by Perfect Choice. As the entire issued share capital of both Classic Venture and Perfect Choice are owned by Mrs. Ho Wong Mary Mee-Tak, Mrs. Ho Wong Mary Mee-Tak is deemed to be interested in these 132,350,000 Shares under the SFO.

(ii) Underlying Shares with respect to options granted under to the Pre-IPO Share Option Scheme

Name of Director	Number of underlying Shares	Approximate percentage of shareholding in the Company immediately after completion of the Offering but without taking into account the exercise of the Over-allotment Option
Mr. Wong Shik Ho Tony	4,290,000	1.03%
Mr. Leung Wah Kan	3,300,000	0.79%
Mr. Wong Fong Pak	3,300,000	0.79%
Mr. Ho Nai Nap	1,200,000	0.29%
Mr. Man Wai Hung	1,200,000	0.29%

5.2 Interest in suppliers and customers of the Group

As at the Latest Practicable Date, so far as the Directors are aware, no Director or their respective associate or Shareholder (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had any interest in the five largest suppliers or customers of the Group.

5.3 Directors' Service Contracts and Remuneration

(a) Directors' Service Contracts

Each of the executive Directors had entered into a service contract or contract of employment with a member of the Group, the principal terms of which are set out below:

Name	Member of the Group	Position	Term	Termination
Mr. Wong Shik Ho Tony	PC Partner	Director	From 1 August 1997 until termination by either party	2 months' written notice
Mr. Wong Fong Pak	PC Partner	Director	From 1 August 1997 until termination by either party	2 months' written notice

Name	Member of the Group	Position	Term	Termination
Mr. Leung Wah Kan	PC Partner	Director	From 1 August 1997 until termination by either party	2 months' written notice
Mr. Man Wai Hung	Manli Group	Managing Director	From 1 April 2008 until termination by either party	1 month's written notice or payment in lieu of notice
Mr. Ho Nai Nap	ASK Group	General Manager	From 16 February 2009 until termination by either party	1 month's written notice

The current basic salary for each of Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Man and Mr. Ho is HK$2,856,600 per annum, HK$2,670,300 per annum, HK$2,732,400 per annum, HK$1,320,000 per annum and HK$1,260,000 per annum respectively. Mr. Leung Wah Kan is also entitled to a travelling allowance of HK$2,500 per month and each of Mr. Ho and Mr. Man is entitled to a year-end bonus equivalent to 1 month's salary.

For the purpose of the Listing, each of the executive Directors has entered into a termination agreement with PC Partner, Manli Group or ASK Group to terminate the above service contracts or contracts of employment with effect from the Listing Date.

Each of the executive Directors has also entered into a new service agreement with the Company for a term of three years commencing from the Listing Date. Particulars of the service agreements of the Directors, except as indicated, are in all material respects the same and are summarized below:

(i) Each service agreement is of an initial term of three years commencing from the Listing Date unless terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than 3 months' prior notice. The Company may also terminate the service agreement without notice if the relevant executive Director is guilty of, among others, dishonesty or grave misconduct or willful default or neglect in the discharge of his duties, becomes bankrupt or of unsound mind, be guilty of conduct tending to bring himself or any companies in the Group into disrepute or be prohibited by law from fulfilling his duties under the service agreement.

(ii) For the first year from the Listing Date, the annual salary of each of Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak, Mr. Leung Wah Kan, Mr. Ho and Mr. Man shall be HK$2,856,600, HK$2,670,300, HK$2,732,400, HK$1,560,000 and HK$1,500,000 respectively and shall accrue on a day to day basis, such salary to be subject to review from time to time by the Board and the remuneration committee of the Board and to be decided by the Board.

(iii) Mr. Leung Wah Kan is entitled to a China working allowance of HK$2,500 per month, such allowance to be subject to review from time to time by the Board and the remuneration committee of the Board and to be decided by the Board.

(iv) The Company shall provide a residential premises for Mr. Wong Shik Ho Tony to be used by him as director's quarters during his term of appointment as an executive Director.

(v) Each of the executive Directors is further entitled to (1) an end-of-year bonus in an amount equal to the Director's then monthly salary to be payable on 28 December of each year provided that if the Director's appointment is terminated prior to 28 December of any year, he shall not be entitled to the end-of-year bonus for that year; (2) a discretionary performance bonus as may be determined by the Board at its absolute discretion having regard to the performance of the Group and the performance of the Director, subject to the review and approval of the remuneration committee of the Board; and (3) a discretionary profit-sharing bonus as may be determined by the Board at its absolute discretion having regard to the performance of the Director and the Group's consolidated results (after taxation and minority interests), subject to the review and approval of the remuneration committee of the Board.

(vi) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board or any committee of the Board regarding the amount of annual salary, China working allowance (in the case of Mr. Leung Wah Kan), end-of-year bonus, discretionary performance bonus or discretionary profit-sharing bonus payable to him.

(vii) Each of the executive Directors shall also be reimbursed of petrol and car maintenance expenses incurred by him during the term of his appointment as an executive Director.

Each of Mrs. Ho Wong Mary Mee-Tak and Mr. Chiu Wing Yui (as non-executive Directors) and each of Mr. Ip Shing Hing, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung (as independent non-executive Directors) has executed letters of appointment with the Company for a term of three years commencing from the Listing Date unless otherwise terminated in accordance with the terms of the letters of appointment. The annual director's fee for each of Mrs. Ho Wong Mary Mee-Tak, Mr. Chiu Wing Yui, Mr. Ip Shing Hing, Mr. Lai Kin Jerome and Mr. Cheung Ying Sheung shall be HK$120,000, HK$120,000, HK$240,000, HK$240,000 and HK$240,000 respectively. Their appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with the Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) Directors' remuneration

(i) Approximately HK$18,219,401.88 was paid to the Directors by the Group as remuneration (including other allowances and benefits in kind) in respect of the financial year ended 31 December 2010.

(ii) Approximately HK$12,272,797 (excluding any performance bonus or profit-sharing bonus, if any) as remuneration is estimated to be payable to the Directors by the Group in respect of the financial year ending 31 December 2011 pursuant to the present arrangement.

(iii) Save as disclosed in this prospectus, no Director received any remuneration or benefits in kind from the Group for the financial year ended 31 December 2010.

5.4 Guarantees given by Directors

Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak and Mr. Leung Wah Kan had jointly given personal guarantees in favour of various banks to secure the debts and liabilities due by certain members of the Group. Such personal guarantees are expected to be released upon Listing and be replaced by corporate guarantees from the Company.

Mr. Man and Mr. Lee Wing Chung had given an unlimited guarantee in favour of a bank to secure the debts and liabilities due by Manli Group. The bank has confirmed its agreement to releasing the said guarantee and the guarantee will be cancelled after a retention period considered by the bank to be reasonably appropriate.

6. PRE-IPO SHARE OPTION SCHEME

A. Summary of the terms of the Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme approved and adopted pursuant to the written resolutions of all the Shareholders passed on 14 December 2011. The following summary does not form, nor is intended to be, part of the Pre-IPO Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Pre-IPO Share Option Scheme.

1. Purpose of the Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to recognize and acknowledge the contributions to the growth of the Group of, and to provide incentive and reward to, certain directors, executives, employees and consultants of the members of the Group.

2. Who may join

The Board may, at its discretion, invite any executive or non-executive directors (or any persons proposed to be appointed as such) or any employees (whether full-time or part-time) of or any consultant to, any member of the Group as the Board at its absolute discretion determine (together, the "**Participants**" and each a "**Participant**"), to take up options ("**Share Options**") to subscribe for Shares at a price determined in accordance with paragraph 6 below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

3. *Conditions*

The Pre-IPO Share Option Scheme shall take effect subject to the passing of an ordinary resolution approving the adoption of the Pre-IPO Share Option Scheme by the Shareholders and authorising the Directors to grant Share Options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any Share Options granted under the Pre-IPO Share Option Scheme, and is conditional upon:

3.1 the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, (i) the Shares in issue and to be issued as mentioned in this prospectus and (ii) any Shares to be issued pursuant to the exercise of Share Options under the Pre-IPO Share Option Scheme; and

3.2 the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

If the above conditions are not satisfied on or before the date which is the 30th day after the date of this prospectus, all Share Options shall lapse automatically and not be exercisable and the Pre-IPO Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Pre-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Share Options.

4. *Duration and Administration*

4.1 Subject to the termination provisions in paragraph 15 below, the Pre-IPO Share Option Scheme shall be valid and effective for a period commencing on 14 December 2011 and ending on the Latest Practicable Date (both days inclusive), after which period no further Share Options will be granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect, to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provision of the Pre-IPO Share Option Scheme.

4.2 The Pre-IPO Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided in the Pre-IPO Share Option Scheme) shall be final and binding on all parties.

4.3 Subject to compliance with the requirements of the Listing Rules and the provisions of the Pre-IPO Share Option Scheme, the Board shall have the right (i) to interpret and construe the provisions of the Pre-IPO Share Option Scheme; (ii) to determine the persons who will be awarded Share Options under the Pre-IPO Share Option Scheme and the number of Shares to be issued under the Share Options; (iii) to make such appropriate and equitable adjustments to the terms of Share Options granted under the Pre-IPO Share Option Scheme as it deems necessary; and (iv) to make such other decisions, determinations or regulations as it shall deem appropriate in the administration of the Pre-IPO Share Option Scheme.

5. Grant of Share Options

5.1 On and subject to the terms of the Pre-IPO Share Option Scheme, the Board shall be entitled at any time, on or after 14 December 2011 up to and inclusive of the Latest Practicable Date to make an offer of the grant of a Share Option by the Board (the "**Offer**") to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may (subject to paragraph 9 below) determine at the price of HK$1.46 per Share (the "**Subscription Price**").

5.2 An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine (the "**Offer Letter**") specifying the number of Shares under the Share Option, the Subscription Price, and the Option Period (as defined in sub-paragraph 7.3 below) and requiring the Participant to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the Pre-IPO Share Option Scheme. An Offer shall remain open for acceptance by the Participant to whom an Offer is made for a period (the "**Acceptance Period**") from the date on which an Offer is made to a Participant (the "**Offer Date**") to such date as the Board may determine and specify in the Offer Letter (both days inclusive), provided that no such Offer shall be open for acceptance after the end of the effective period of the Pre-IPO Share Option Scheme as stated in sub-paragraph 5.1.

5.3 An Offer shall be deemed to have been accepted by any Participant who accepts an Offer in accordance with the terms of the Pre-IPO Share Option Scheme or (where the context so permits) his personal representative(s) entitled to any such Share Option in consequence of the death of the original Participant (the "**Grantee**") and the Share Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter (as defined in sub-paragraph 5.2 above) comprising acceptance of the Share Option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within the Acceptance Period. Such remittance shall in no circumstances be refundable or be considered as part of the Subscription Price.

5.4 An Offer may not be accepted in respect of less than the number of Shares for which it is offered. If the Offer is not accepted within the Acceptance Period and in the manner stipulated in sub-paragraph 5.3 above, it will be deemed to have been irrevocably declined.

5.5 Subject to the provisions of the Pre-IPO Share Option Scheme, the Board may when making the Offer impose any conditions, restrictions or limitations in relation to the Share Option as it may at its absolute discretion think fit.

6. Subscription Price

Subject to any adjustments made pursuant to paragraph 11 below, the Subscription Price per Share shall be HK$1.46.

7. Exercise of Share Options

7.1 A Share Option shall be personal to the Grantee and shall not be assignable or transferable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests (whether legal or beneficial) in favour of any third party over or in relation to any Share Option or enter into agreement to do so. Any breach of the foregoing of a Grantee shall render all outstanding Share Options of such Grantee be automatically cancelled on the date which the Grantee commits the foregoing breach.

7.2 Unless otherwise determined by the Board and specified in the Offer Letter (as defined in sub-paragraph 5.2 above) at the time of the Offer, no performance targets need to be achieved by the Grantee before a Share Option can be exercised. 50% of the Share Options granted to a Grantee must be held by such Grantee for a minimum period of one year after the Listing Date before they can be exercised, and the remaining 50% of the Share Options must be held by such Grantee for a minimum period of two years after the Listing Date before they can be exercised. A Share Option may be exercised in whole or in part in the manner as set out in the Offer Letter, this sub-paragraph and sub-paragraph 7.3 below by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total Subscription Price for the Shares in respect of which the notice is given. Subject to paragraph 11, within 28 days after receipt of the notice and the remittance and where appropriate, receipt of the certificate of the auditors for the time being of the Company pursuant to paragraph 11 below, the Company shall allot the relevant Shares to the Grantee (or his personal representative(s)) credited as fully paid and issue to the Grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

7.3 Subject to paragraph 3 above and as hereinafter provided and subject to the terms and conditions upon which such Share Option was granted, a Share Option may be exercised by the Grantee at any time during a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which a Share Option may be exercised and in any event, such period shall not be longer than 10 years from the Offer Date ("**Option Period**") provided that:

(a) in the event of the Grantee ceases to be a Participant for any reason other than on the Grantee's death or the termination of the Grantee's employment, directorship, office, appointment or engagement on one or more of the grounds specified in sub-paragraph 8.6 below, the Share Option granted to such Grantee shall lapse on the date of cessation (to the extent which has not already been exercised) and will not be exercisable unless the Board otherwise determines to grant an extension at the discretion of the Board in which event the Grantee may exercise the Share Option in accordance with the provisions of sub-paragraph 7.2 above within such period of extension and up to a maximum entitlement directed at the discretion of the Board on the date of grant of extension (to the extent that it has not already been exercised) and subject to other terms and conditions decided at the discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date on which the Grantee ceases to be a Participant, which date shall be the Grantee's last actual working day with the relevant company whether salary is paid in lieu of notice or not, or the last date of office or appointment as director, officer or employee of the relevant company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the board of directors or governing body of the relevant company shall be conclusive;

(b) in the event the Grantee dies before exercising the Share Option in full and none of the events which would be a ground for termination of the Grantee's employment, directorship, office, appointment or engagement under sub-paragraph 8.6 below arises, the personal representative(s) of the Grantee shall be entitled within a period of 6 months or such longer period as the Board may determine from the date of death, to exercise the Share Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and has not already been exercised) or, if appropriate, make an election pursuant to sub-paragraphs 7.3(c), (d) or (e) below, failing which the Share Option will lapse;

(c) if a general offer by way of take-over (other than by way of scheme of arrangement pursuant to sub-paragraph 7.3(d) below) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror (the "**Dissenting Shareholders**")) and if such offer becomes or is declared unconditional and the offeror is entitled to and does give notice pursuant to the Companies Law to acquire Shares held by the Dissenting Shareholders prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the Share Option (to the extent that it has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice;

(d) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary majority of holders of Shares at the requisite meetings, the Grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Share Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

(e) other than a general offer or a scheme of arrangement contemplated in sub-paragraphs 7.3 (c) and (d) above, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his Share Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of a Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the Pre-IPO Share Option Scheme. The Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

(f) in the event that a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, the Grantees (or their personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company (such notice to be received by the Company not later than 2 business days prior to the proposed general meeting of the Company) exercise the Share Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

7.4 The Shares to be allotted upon the exercise of a Share Option will be subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue, provided always that when the date or exercise of the Share Option falls on a date upon which the register of shareholders of the Company is closed, then the exercise of the Share Option shall become effective on the first business day in Hong Kong on which the register of shareholders of the Company is re-opened.

8. Lapse of Share Option

A Share Option shall lapse automatically and not be exercisable (to the extent that it has not already been exercised) on the earliest of:

8.1 the expiry of the Option Period;

8.2 the expiry of the periods referred to in the above sub-paragraphs 7.3(a), (b) or (c);

8.3 subject to the scheme of arrangement as referred to in sub-paragraph 7.3(d) above becoming effective, the expiry of the period referred to in the above sub-paragraph 7.3(d);

8.4 subject to the compromise or arrangement referred to in sub-paragraph 7.3(e) above becoming effective, the expiry of the period referred to in sub-paragraph 7.3(e),

8.5 subject to the expiry of the period of extension (if any) referred to in sub-paragraph 7.3(a) above, the date on which the Grantee ceases to be a Participant for any reason other than on his death or the termination of the Grantee's employment, directorship, office, appointment or engagement on one or more of the grounds specified in sub-paragraph 8.6 below;

8.6 the date on which the Grantee ceases to be a Participant by reason of the termination of his employment, directorship, office, appointment or engagement on one or more of the following grounds, namely, that he has been guilty of misconduct or has been in breach of material term of the relevant employment contract or service contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served with a petition for bankruptcy, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of the relevant subsidiary, as the case may be) on any other ground on which any employer or any engaging party would be entitled to terminate his employment, directorship, office, appointment or engagement at common law or pursuant to any applicable laws or under the Grantee's employment contract or service contract with the Company or the relevant subsidiary (as the case may be). A resolution of the Board or a duly authorised committee thereof for the time being, including the independent non-executive Directors or the board of directors or governing body of the relevant subsidiary (as the case may be) to the effect that the employment, directorship, office, appointment or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 8.6 shall be conclusive and binding on the Grantee;

8.7 the close of 2 business days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;

8.8 the date on which the Grantee commits a breach of sub-paragraph 7.1 above;

8.9 the date on which the Share Option is cancelled by the Board as provided in paragraph 14 below; or

8.10 the non-fulfilment of any condition referred to in paragraph 3 above on or before the date stated therein.

The Company shall owe no liability to any Grantee for the lapse of any Share Option under this paragraph 8.

9. Maximum number of Shares available for subscription

The total number of Shares, which may be issued upon exercise of all Share Options to be granted under the Pre-IPO Share Option Scheme shall not in aggregate exceed 8% of the total number of Shares in issue immediately following completion of the Offering but without taking into account any Shares which may be issued upon exercise of the Over-allotment Option.

10. Reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalisation issue, rights issue, subdivision, consolidation, or reduction of the share capital of the Company or otherwise howsoever in accordance with the applicable legal requirements and requirements of the Stock Exchange (excluding any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to the exercise of the Over-allotment Option or as consideration in respect of a transaction to which the Company is a party) at any time after the date on which dealings in the Shares first commence on the Stock Exchange, such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Share Option so far as unexercised; and/or

(ii) the Subscription Price;

as an independent financial adviser appointed by the Company or the auditors for the time being of the Company shall at the request of the Board certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the Listing Rules and shall give a Grantee as nearly as possible the same proportion of the issued share capital of the Company as that to which the Grantee was previously entitled, provided that no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value and/or to the advantage in respect of the Grantee without specific prior shareholders' approval. The capacity of the independent financial adviser or the auditors for the time being of the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of the Company in relation to the provision of any services under this paragraph shall be borne by the Company. Notice of such alteration(s) shall be given to the Grantees by the Company.

11. Share Capital

The exercise of any Share Option shall be subject to the Shareholders in a general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Share Options.

12. Disputes

Any dispute arising in connection with the Pre-IPO Share Option Scheme (whether as to the number of Shares the subject of a Share Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the auditors for the time being of the Company or an independent financial adviser appointed by the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding.

13. Alteration of the Pre-IPO Share Option Scheme

13.1 The provisions of the Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Pre-IPO Share Option Scheme as to:

(a) the definitions of "Grantee", "Option Period" and "Participant" in paragraph 2 and sub-paragraphs 5.3 and 7.3 above;

(b) the provisions of the above paragraphs and sub-paragraphs 4.1, 5.1, 5.2, 5.3, 6, 7, 8, 9, 10 and this paragraph 13; and

(c) all such other matters set out in Rule 17.03 of the Listing Rules,

shall not be altered to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Share Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

13.2 Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of the Share Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

13.3 The amended terms of the Pre-IPO Share Option Scheme or the Share Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

13.4 Any change to the authority of the Directors or scheme administrators in relation to any alteration to the terms of the Pre-IPO Share Option Scheme must be approved by the Shareholders in general meeting.

14. Cancellation of the Share Options granted

The Board may at any time at its absolute discretion cancel any Share Option granted but not exercised.

15. Termination of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme shall terminate on 24 December 2011, being the date immediately following the Latest Practicable Date. Upon termination of the Pre-IPO Share Option Scheme, no further Share Options will be granted but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and Share Options which are granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

B. Outstanding options granted under the Pre-IPO Share Option Scheme

As at the date of this prospectus, Share Options to subscribe for an aggregate of 31,990,000 Shares, representing 7.66% of the issued share capital of the Company immediately following completion of the Offering (assuming the Over-allotment Option is not exercised and excluding all the Shares which may be allotted and issue pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme), at an exercise price of HK$1.46 per Share have been granted by the Company, and which remained outstanding as at the Latest Practicable Date. Each Grantee has paid HK$1 to the Company on acceptance of the offer for the grant of Share Option.

Share Options granted under the Pre-IPO Share Option Scheme shall be exercisable by the Grantees in the following manner:

(a) 50% for the period of 3 years commencing from the first anniversary of the Listing Date; and

(b) the remaining 50% for the period of 3 years commencing from the second anniversary of the Listing Date.

As at the Latest Practicable Date, 54 Grantees, including (i) 5 Directors and 1 director of a subsidiary, (ii) 8 members of senior management of the Group, (iii) 1 consultant and (iv) 39 other employees of the Group were each granted a Share Option, particulars of which are set out as follows:

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Executive Directors				
Wong Shik Ho Tony	Chief Executive Officer Executive Director *(Responsible for the overall strategic management and corporate development of the Group)*	Flat D, 17/F., Tower V, The Waterfront No. 1 Austin Road West, Jordan Kowloon, Hong Kong	4,290,000	1.03%
Leung Wah Kan	Chief Operation Officer Executive Director *(Responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group)*	No. 189 Lychee Road North Fairview Park Yuen Long New Territories Hong Kong	3,300,000	0.79%
Wong Fong Pak	Executive Vice President Executive Director *(Responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business)*	33 Hong Lok Road, East Hong Lok Yuen, Tai Po New Territories Hong Kong	3,300,000	0.79%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Ho Nai Nap	Executive Director *(General manager and managing director of ASK Group)*	130A Hong Lok Road East Hong Lok Yuen Tai Po, New Territories Hong Kong	1,200,000	0.29%
Man Wai Hung	Executive Director *(Managing director of Manli Group)*	Room B, 19/F., Block 2, The Palazzo Fotan, Sha Tin New Territories Hong Kong	1,200,000	0.29%
Sub-total			13,290,000	3.18%
Director of a subsidiary				
Lee Wing Chung	Director of Manli Group	Flat H, 15/F., Block 11 Lok Shun Path, Royal Ascot, Shatin, New Territories, Hong Kong	300,000	0.07%
Sub-total			300,000	0.07%

Senior management of the Group who are not directors of the Group

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Chow Hon Fat	Director of Program Management — Graphics	30 Fairview Park, Sect D, 3rd Street, Fairview Park, Yuen Long, New Territories, Hong Kong	900,000	0.22%
Lai Shui Wah	General Manager	Flat A, 45/F, Block 6 Tierra Verde, Tsing Yi, New Territories, Hong Kong	900,000	0.22%
Kwong Kwok Kuen	Director of Sales — EMEAI Region	No. 10, Kapok Path, Westwood Palm Springs, Yuen Long, New Territories, Hong Kong	900,000	0.22%
Kong Chun Kwok, Bruce	Director of Sales — APAC and NALA Regions	House 118 Pinaceae Drive, Westwood Palm Springs, Yuen Long, New Territories, Hong Kong	900,000	0.22%
Wong Man Fai	Director of Product Department	Flat E, 32/F, Block 2, 398 Castle Peak Road, Discovery Park, Tsuen Wan, New Territories, Hong Kong	900,000	0.22%
Wong Chi Wah	Chief Human Resources and Administration Officer	Room 3105 Wing Pak House, Hong Pak Court, Lam Tin, Kowloon, Hong Kong	900,000	0.22%
Huang Chia Pao	Director of Product of Motherboard Business	Hyatt Regency Hong Kong, Sha Tin 18 Chak Cheung Street, Sha Tin, New Territories, Hong Kong	900,000	0.22%
Lau Ka Lai Gary	Chief Financial Officer	Flat B, 41/F, Tower 10, Le Point, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong	900,000	0.22%
Sub-total			7,200,000	1.72%

Other employees of the Group and one consultant

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Splendid Fame Limited	*(Note 2)*	Room 301, 3/F, New East Ocean Centre, No. 9 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong	3,300,000	0.79%
Poon Chun Kin	General Manager — Manufacturing Unit	75/14-16, Freeman Place, Carlingford, NSW 2118, Australia	900,000	0.22%
Chiu Chung Leung	Senior Material Manager	212, Kam Wan House, Choi Hung Estate, Kowloon, Hong Kong	500,000	0.12%
Chow Pak Keung	Senior Manager — Program Management (EMS)	Flat L3, 26/F, Block L, Fanling Centre, Fanling, New Territories, Hong Kong	500,000	0.12%
Fong Wing Fai	Engineering Manager	Flat C, 15/F, Blk 6, Monte Vista, Ma On Shan, New Territories, Hong Kong	500,000	0.12%
Ho Ding Yung	Engineering Manager	Flat F, 18/F, Block 2, Grandview Garden, Hammer Hill Road, NKIL 6233, Diamond Hill, Kowloon, Hong Kong	500,000	0.12%
Lee Po Yuk Juanne	Finance Manager	Flat H, 21/F, Block 4, The Tolo Place, Sunshine City, Ma On Shan, New Territories, Hong Kong	500,000	0.12%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Lee Siu Wai	Procurement Manager	Flat H, 30/F, Block 1, La Costa, No. 8, Po Tai Street, Ma On Shan, New Territories, Hong Kong	500,000	0.12%
Liu Ngai Choi	Senior Sales Manager	Flat 3615, 36/F, Block C, Heng Nga House, Hong Nga Court, Lam Tin, Kowloon, Hong Kong	500,000	0.12%
Wu Chi Kwong	Costing Manager	Room 1702, Sau Man House, Choi Wan Estate, Kowloon, Hong Kong	350,000	0.08%
Wong Chun Sang	Sales Director	Flat H, 5/F, Cheung Pak Mansion, Parkvale, Quarry Bay, Hong Kong	300,000	0.07%
Lui Ho Shun	Senior MIS Manager	Room 105, 1/F., Block 16, Guo Ji Gong Guan Phase 3, Shi Ji Cheng, Nan Cheng district, Dongguan, PRC	250,000	0.06%
Chan Pui Yee	Assistant Human Resources and Administration Manager	Flat D, 10/F, Block 5, 9 Kat Cheung Crescent, Greenpark Villa, Sheung Shui, New Territories, Hong Kong	200,000	0.05%
Ho Yuet Mei Carmen	Assistant Shipping Manager	Flat C, 25/F, Block 1, Elegance Garden, 4-8 King Fung Path, Tuen Mun, New Territories, Hong Kong	200,000	0.05%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Lau Chee Keung	Technical Support Manager	Flat C, 29/F, Block 7, Grand Regentville, 9 Wo Mun Street, Fanling, New Territories, Hong Kong	200,000	0.05%
Lo Po Man	Design Manager	1/F, 3 Leung Cheong Street, Fanling, New Territories, Hong Kong	200,000	0.05%
Ng Wai Kin	Assistant PMC Manager	Oasis Garden Hao Jing Xuan A 602, Guang Dong province, Hou Jie Town, Bai Hao Zone	200,000	0.05%
Tsang Chiu Po	Shipping Manager	Flat C, 16/F, Wing Fai Garden, 29-35 Ting Kok Road, Tai Po, New Territories, Hong Kong	200,000	0.05%
Yeung Man Ching	Assistant PMC Manager	Flat 15, 22/F, Chung May House, Chung Nga Court, Tai Po, New Territories, Hong Kong	200,000	0.05%
Yu Kin Leung, James	Sales Manager	Flat 306, Wang Yuen House, Tin Wang Court, Chuk Yuen, Kowloon, Hong Kong	200,000	0.05%
Chan Yuk Lin	Senior Clerk	No. 7 Cheung Lek Village, Sheung Shui, New Territories, Hong Kong	50,000	0.01%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Cheung Shuk Yee	Senior Accountant	No. 33 G/F, Kam Shek San Tsuen, Tai Po, New Territories, Hong Kong	50,000	0.01%
Chong Fai Ping	Engineer — PCB Design	Flat C, 18/F, Block 4, Sheung Shui Centre, Sheung Shui, New Territories, Hong Kong	50,000	0.01%
Choy Kin On	Senior Store Supervisor	1/F, 7 Fu Hing Street, Sheung Shui, New Territories, Hong Kong	50,000	0.01%
Ho Kau	Senior Storekeeper	Flat 1201, 12/F, Cheong Yun House, Cheong Shing Court, Fanling, New Territories, Hong Kong	50,000	0.01%
Ho Man Kuk	Senior Buyer	Room 2721, 27/F, Pang Ching Court, 6 Chui Chuk Street, Wong Tai Sin, Kowloon, Hong Kong	50,000	0.01%
Hsu Moon Loi	Purchasing Supervisor	Flat 738, Tai Lok House, Tai Yuen Estate, Tai Po, New Territories, Hong Kong	50,000	0.01%
Hung Siu Wai	Engineer	Flat J, 17/F, Tower 1, Wing Fok Centre, Fanling, New Territories, Hong Kong	50,000	0.01%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Lam Sui Ying	Senior Shipping Clerk	1/F, 2 San Fat Street, Sheung Shui, New Territories, Hong Kong	50,000	0.01%
Lee Wing Fu	Storekeeper	Room 112, Ying Hong House, Choi Ying Estate, Kowloon Bay, Kowloon, Hong Kong	50,000	0.01%
Lee Wing Kit	Senior Storekeeper	Flat F, 21/F, Block 9, Yuet Wu Villa, Tuen Mun, New Territories, Hong Kong	50,000	0.01%
Leung Yip Sing	Engineer	2 Hang Shun Street, Chevalier Garden, Block 3, 13/F., Flat K, Man On Shan, New Territories, Hong Kong	50,000	0.01%
Leung Yuk Ching	Amah	Room 12, 35/F, Block A, Kam Yung House, Kam Fung Court, Ma On Shan, New Territories, Hong Kong	50,000	0.01%
Li Yuk Lan	Senior Shipping Clerk	Flat A, 5/F, Treasure Garden, 1 On Chee Road, Tai Po, New Territories, Hong Kong	50,000	0.01%
Mok Chuen Wah	Information Analysis Officer	Room 929, Pok Man House, Pok Hong Estate, Shatin, New Territories, Hong Kong	50,000	0.01%

Name of grantee	Position	Address	Number of underlying Shares	Approximate percentage of issued share capital of the Company *(Note)*
Sit Lin Ho	PMC Supervisor	Flat 10, 32/F, Yee Leung House, Yee Nga Court, Tai Po, New Territories, Hong Kong	50,000	0.01%
Tang Hau Ping	Technical Support Engineer	Flat H, 25/F, Tower 6, Wing Fok Centre, Fanling, New Territories, Hong Kong	50,000	0.01%
Tsang Wan Wai	Senior Engineer	Flat H, Floor 39, 8 Royal Green, 8 Ching Hiu Road, Sheung Shui, New Territories, Hong Kong	50,000	0.01%
Wong Wai Kong	Store Supervisor	Room 1029, Hip Wo House, Wo Che Estate, Shatin, New Territories, Hong Kong	50,000	0.01%
Wu Suet Lai	Accounts Clerk	Flat 30, 5/F, Wu Fai House, Wu King Estate, Tuen Mun, New Territories, Hong Kong	50,000	0.01%
Sub-total			11,200,000	2.68%
TOTAL			31,990,000	7.66%

Notes:

1. This refers to the issued share capital of the Company immediately following completion of the Offering (assuming that the Over-allotment Option is not exercised).

2. A consultant to the Group which provides advisory services to the Board and oversees the financial management, business planning and reporting procedures of the Group as well as reviews the systems of internal control and compliance and other financial/accounting policies and related issues from time to time.

The dilution effect on shareholding upon issuance of the Shares granted under the Pre-IPO Share Option Scheme is as follows:

	Shareholdings immediately after completion of the Offering but without taking into account the exercise of the Over-allotment Option		Shareholdings immediately after completion of the Offering and assuming all Share Options have been exercised but without taking into account the exercise of the Over-allotment Option	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
Director				
Wong Shik Ho Tony	51,560,750	12.35	55,850,750	12.42
Leung Wah Kan	21,250,500	5.09	24,550,500	5.46
Wong Fong Pak	26,915,750	6.45	30,215,750	6.72
Ho Nai Nap	19,984,538	4.79	21,184,538	4.71
Man Wai Hung	3,677,065	0.88	4,877,065	1.08
Ho Wong Mary Mee-Tak *(Note 1)*	132,350,000	31.70	132,350,000	29.44
Director of a subsidiary				
Lee Wing Chung	3,677,065	0.88	3,977,065	0.88
Other Shareholders				
Perfect Choice	77,500,000	18.56	77,500,000	17.24
Classic Venture	54,850,000	13.14	54,850,000	12.20
Daniel Kearney	22,475,000	5.38	22,475,000	5.00
Public Shareholders	135,628,000	32.48	154,028,000 *(Note 2)*	34.27

Notes:

1. These 132,350,000 Shares represent the same 54,850,000 Shares owned by Classic Venture and 77,500,000 Shares owned by Perfect Choice. As the entire issued share capital of both Classic Venture and Perfect Choice are owned by Mrs. Ho Wong Mary Mee-Tak, Mrs. Ho Wong Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture and Perfect Choice under the SFO.

2. These Shareholders includes 8 senior management of the Group who are not directors of the Group, 39 employees of the Group and one consultant who are grantees of the Share Options.

The total number of shares subject to the options granted under the Pre-IPO Share Option Scheme is 31,990,000 Shares, representing approximately 7.66% of the issued share capital of the Company immediately following completion of the Offering (assuming the Over-allotment Option is not exercised and excluding all the Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme), or approximately 7.12% of the enlarged issued share capital of the Company upon full exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme immediately following completion of the Offering (assuming the Over-allotment Option is not exercised). As such, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of the Shareholders immediately following the Listing will be diluted by approximately 7.12%. Further, assuming that (i) the Reorganisation has been completed and there are no minority interests in respect of Ask Group or Manli Group and the Company had been listed on the Stock Exchange since 1 January 2010 with 417,518,668 Shares in issue; and (ii) the Reorganisation has been completed and there are no minority interests in respect of Ask Group or Manli Group, the Company had been listed on the Stock Exchange since 1 January 2010 with 417,518,668 Shares in issue and 31,990,000 Shares were allotted and issued pursuant to the exercise of all the options granted under the Pre-IPO Share Option Scheme in full on 1 January 2010, the earnings per Share on a pro forma diluted basis would be approximately HK$0.281 (unaudited) and HK$0.261 (unaudited) respectively for the year ended 31 December 2010.

Save as disclosed above, no other Share Option has been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme as at the date of this prospectus.

7. OTHER INFORMATION

7.1 Estate Duty, Tax and Other Indemnity

Indemnity on estate duty and taxation

The Controlling Shareholders, Mr. Wong Shik Ho Tony, Mr. Wong Fong Pak and Mr. Leung Wah Kan (the "**Indemnifiers**") have pursuant to a deed of indemnity (the "Deed of Indemnity"), given indemnities on a joint and several basis in favour of the Company (for itself and as trustee for each of its present subsidiaries) in respect of, among others:

(i) certain estate duty which might be payable by or recovered against any of the members of the Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong); and

(ii) any tax liabilities falling on any of the members of the Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be or alleged to have been earned, accrued or received) on or before the date on which the Offering becomes unconditional (the "**Effective Date**"), whether alone or in conjunction with any circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm or company, provided that the indemnity given under the Deed of Indemnity shall not apply:

(a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited combined financial statements of the Company for the Track Record Period as set out in Appendix I to this prospectus (the "**Accounts**");

(b) to the extent such taxation liabilities and claims falling on any of the members of the Group in respect of its current accounting periods or any accounting period commencing on or after 1 July 2011 would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement or acquiescence of the Indemnifiers other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 June 2011, or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2011 or pursuant to any statement of intention made in this prospectus; or

(c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of the Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

(d) to the extent that such taxation or taxation claim arises, is incurred or is increased as a result of a change in accounting policies after the Effective Date; or

(e) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC or any other relevant authority (whether in Hong Kong, Macau, the United States, South Korea, the PRC, the BVI or any other part of the world) coming into force after the Effective Date or to the extent that such taxation liabilities and claims arise or is increased by an increase in rates of such taxation liabilities after the Effective Date with retrospective effect.

Other Indemnities

Pursuant to the Deed of Indemnity, the Indemnifiers have also given indemnities in connection with other matters as more particularly described below:

(a) Social Insurance and housing provident funds

Each of the Indemnifiers has given indemnities on a joint and several basis in favour of each member of the Group against:

(i) any liabilities to pay Social Insurance and housing provident funds contributions for or in relation to the employees of the Group prior to the date on which the conditions stated in the paragraph headed "Conditions" under the section headed "Structure and conditions of the Offering" in this prospectus being fulfilled (the "Effective Date") as required by applicable laws and regulations of the PRC, and in the case of Social Insurance, to the extent if such payment is in excess of the provisions made in the accountants' report as set out in Appendix I to this prospectus; and

(ii) any fines and/or penalties that may be imposed by the relevant authorities of the PRC in connection with the non-payment within the relevant specified period (if any) of Social Insurance and housing provident funds prior to the Effective Date.

(b) Litigation

Each of the Indemnifiers has given indemnities on a joint and several basis in favour of each member of the Group (whether or not such member of the Group is or may be entitled to claim reimbursement from any other person), on demand, against all or any Damages howsoever arising from or in connection with any Litigation Claim to the extent that the events leading to such Damages occurred prior to the Effective Date provided that each of the Company and the relevant member of the Group shall reimburse each Indemnifier an amount equal to any sum paid by it under the Deed of Indemnity which is subsequently recovered by the Group from any third party less any costs and expenses incurred by the Group for recovering such sum.

For the purposes of the Deed of Indemnity:

"**Damages**" means all damages, losses, claims, fines, penalties to be imposed, charges, fees, costs, interests, expenses (including all legal costs and expenses), actions, proceedings, depletion of assets, loss of profit, loss of business, cost of rectification, costs of removal, costs of reinstatement of property (with reference to the physical state or the legal status of such property at the time when such property's owner or user became a subsidiary of the Company) and any other liability of whatever nature; and

"**Litigation Claim**" means any litigation, arbitration and/or legal proceedings, whether of criminal or administrative or contractual or tortuous or otherwise nature, against any member of the Group which was issued and/or accrued and/or arising from any act or non-performance or omission or otherwise of any member of the Group on or before the Effective Date in Hong Kong, Macau, the United States, South Korea, the PRC, the British Virgin Islands, the Cayman Islands or any other part of the world.

7.2 Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

However, as at the Latest Practicable Date, the Group was involved in a patent infringement claim made to the International Trade Commission of the US ("ITC") pursuant to Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337 against various manufacturers of semiconductors, one of which being a GPU supplier of the Group. The Group was named as a co-respondent of the claim because its products contain the alleged infringing chips manufactured by the said GPU supplier. The Group understands that, whereas the claimant could not, via the ITC investigation, obtain direct monetary damages from the Group, the remedies available to the claimant are (i) an exclusion order, being a US executive order, strictly prohibiting the importation of any of the products named in the claim which contain parts or components of the infringing patent (the "Named Products") into the US and (ii) a cease and desist order forbidding the sale of any existing US-based inventory of the Named Products. The GPU supplier has agreed to pay the Group's legal fees and disbursements incurred in defending the said claim in respect of Named Products which contain chips of the said GPU supplier. Accordingly, the Directors are of the view that the said claim does not have any material impact on the business of the Group.

7.3 Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in the section headed "Connected transactions" in this prospectus and in note 33 of section B of the Accountants' Report set out in Appendix I to this prospectus.

7.4 Sponsor

WAG Worldsec has made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein, including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options granted under the Pre-IPO Share Option Scheme.

7.5 Preliminary Expenses

The preliminary expenses of the Company are estimated to be approximately HK$71,405 and are payable by the Company.

7.6 Promoter

The Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Offering or the related transactions described in this prospectus.

7.7 Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
WAG Worldsec Corporate Finance Limited	Licensed under the SFO to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
BDO Limited	Certified public accountant
Guantao Law Firm	PRC lawyers
Appleby	Cayman Islands attorneys-at-law
Jones Lang LaSalle Sallmanns Limited	Property valuer

7.8 Consents of Experts

Each of WAG Worldsec, BDO Limited, Guantao Law Firm, Appleby and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and/or data (as the case may be) and references to its name included herein in the form and context in which they are respectively included.

None of the experts named in this paragraph has any shareholding interests in the Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of the Group.

7.9 Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

7.10 Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Sponsor will receive a documentation fee, as referred to under the section headed "Underwriting — Underwriting arrangements and expenses — Commissions and expenses" in this prospectus.

7.11 Disclaimers

(a) Save as disclosed in the section headed "Connected Transactions" in this prospectus, none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) None of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

7.12 Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out as follows:

Name:	Classic Venture International Inc.
Place of incorporation:	British Virgin Islands
Date of incorporation:	18 July 1995
Registered office:	263 Main Street, P.O. Box 2196, Road Town, Tortola, British
Number of Sale Shares to be sold:	18,000,000 Shares

7.13 Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(1) save as disclosed in the section headed "Further information about the Company and its subsidiaries — Changes in share capital of subsidiaries" in this Appendix, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(2) save as disclosed in the sections headed "Underwriting – Underwriting arrangements and expenses – Commission and expenses" and "Structure and conditions of the Offering" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(b) Save as disclosed in the sections headed "Further information about Directors, senior management and staff— Interests and short positions of Directors in the share capital of the Company" and "Pre-IPO Share Option Scheme" in this Appendix, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) The Company has not issued or agreed to issue any founder shares, management shares or deferred shares.

(d) Save as disclosed in the sections headed "Underwriting – Underwriting arrangements and expenses – Commission and expenses" and "Structure and conditions of the Offering – Offer Price and price payable on application" in this prospectus, no commissions was paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of its subsidiaries.

(e) Since 30 June 2011, being the date to which the latest audited combined financial results of the Group as set out in Appendix I to this prospectus were made up, there has been no material adverse change in the financial or trading position or prospects of the Group.

(f) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(g) No company within the Group is presently listed on any stock exchange or traded on any trading system.

(h) None of WAG Worldsec, BDO Limited, Guantao Law Firm, Appleby and Jones Lang LaSalle Sallmanns Limited:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

(i) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

(j) There has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group within 12 months preceding the date of this prospectus.

7.14 Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(i) copies of the **WHITE, YELLOW** and **GREEN** application forms;

(ii) the list containing the particulars of the Selling Shareholder as set out in the section headed "Other Information — Particulars of the Selling Shareholder" in Appendix V to this prospectus;

(iii) the written consents referred to in the section headed "7. Other information — 7.8 Consents of experts" in Appendix V to this prospectus; and

(iv) copies of material contracts referred to in the section headed "3. Further information about the business — 3.1 Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Woo Kwan Lee & Lo at 26th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of the Group for the three years ended 31 December 2010 and the 6 months ended 30 June 2011;

(d) the report from BDO Limited on unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(e) the letter, summary of values and valuation certificates relating to the property interests of the Group prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix III to this prospectus;

(f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Company Law referred to in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the material contracts referred to in the section headed "3. Further information about the business — 3.1 Summary of material contracts" in Appendix V to this prospectus;

(i) the written consents referred to in the section headed "7. Other information — 7.8 Consents of experts" in Appendix V to this prospectus;

(j) the rules of the Pre-IPO Share Option Scheme;

(k) the service agreements referred to in the section headed "5. Further Information about Directors, senior management and staff — 5.3 Directors' service contracts and remuneration — (a) Directors' service contracts" in Appendix V to this prospectus; and

(l) the legal opinions issued by Guantao Law Firm, the legal advisers to the Company as to PRC law.

PC Partner Group Limited

19/F., Shatin Galleria, 18-24 Shan Mei Street
Fo Tan, Shatin, N.T. Hong Kong
Tel: +852 2799 8011   Fax: +852 2664 2044
Email: ir@pcpartner.com
www.pcpartner.com