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PC PARTNER GROUP LIMITED

栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

| FINANCIAL HIGHLIGHTS | Year ended 31 December | | Change |
|---|------------------------|---------------------|-----------|
| | 2020 | 2019 | |
| | <i>HK\$ million</i> | <i>HK\$ million</i> | |
| Revenue | 7,761.8 | 7,556.5 | +2.7% |
| Gross Profit | 795.4 | 516.3 | +54.1% |
| Gross Profit% | 10.2% | 6.8% | +50.0% |
| Other revenue and other gains and losses | 94.8 | (9.4) | N/A |
| Profit for the year attributable to owners of the Company | 207.3 | 10.3 | +1,912.6% |
| Net Profit% | 2.7% | 0.1% | +2,600.0% |

The board of directors (the “Board”) of PC Partner Group Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

| | <i>Notes</i> | 2020 HK\$'000 | 2019 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Revenue | 4, 5 | 7,761,758 | 7,556,477 |
| Cost of sales | | <u>(6,966,403)</u> | <u>(7,040,163)</u> |
| Gross profit | | 795,355 | 516,314 |
| Other revenue and other gains and losses | 6 | 94,804 | (9,417) |
| Selling and distribution expenses | | (132,928) | (98,420) |
| Administrative expenses | | (497,586) | (365,464) |
| Impairment losses on financial assets | | (1,782) | (5,960) |
| Finance costs | 7 | (30,193) | (53,499) |
| Share of profit of a joint venture | | <u>20,050</u> | <u>17,429</u> |
| Profit before income tax | 8 | 247,720 | 983 |
| Income tax | 9 | <u>(39,683)</u> | <u>8,837</u> |
| Profit for the year | | <u>208,037</u> | <u>9,820</u> |
| Other comprehensive income, after tax | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Changes in fair value of equity instruments at fair value through other comprehensive income | | (2,868) | (507) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign subsidiaries | | 3,245 | (1,824) |
| Exchange differences on translating a joint venture | | 10,770 | (5,154) |
| Reclassification adjustments for a foreign subsidiary disposed of during the year | | <u>—</u> | <u>16</u> |
| Total comprehensive income for the year | | <u>219,184</u> | <u>2,351</u> |

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Profit for the year attributable to: | | | |
| — Owners of the Company | | 207,276 | 10,266 |
| — Non-controlling interests | | 761 | (446) |
| | | <u>208,037</u> | <u>9,820</u> |
| Total comprehensive income for the year attributable to: | | | |
| — Owners of the Company | | 218,423 | 2,792 |
| — Non-controlling interests | | 761 | (441) |
| | | <u>219,184</u> | <u>2,351</u> |
| | | <i>HK\$</i> | <i>HK\$</i> |
| Earnings per share | <i>11</i> | | |
| — Basic | | 0.56 | 0.03 |
| — Diluted | | 0.56 | 0.03 |
| | | <u>0.56</u> | <u>0.03</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---------------------------------------|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 144,174 | 215,480 |
| Right-of-use assets | | 136,459 | 156,106 |
| Intangible assets | | 4,825 | 6,355 |
| Interest in a joint venture | | 174,655 | 143,835 |
| Other financial asset | | 7,518 | 10,386 |
| Trade and other receivables | <i>12</i> | 205,137 | 212,897 |
| Deferred tax assets | | 10,430 | 25,944 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 683,198 | 771,003 |
| Current assets | | | |
| Inventories | <i>13</i> | 908,261 | 1,126,023 |
| Trade and other receivables | <i>12</i> | 1,218,270 | 1,190,592 |
| Right of return assets | | 52,610 | 37,271 |
| Derivative financial assets | | 452 | — |
| Cash and bank balances | | 1,124,592 | 906,884 |
| | | <hr/> | <hr/> |
| Total current assets | | 3,304,185 | 3,260,770 |
| | | <hr/> | <hr/> |
| Total assets | | 3,987,383 | 4,031,773 |
| Current liabilities | | | |
| Trade and other payables | <i>14</i> | 1,484,058 | 1,410,321 |
| Refund liabilities | | 62,759 | 47,725 |
| Contract liabilities | | 76,150 | 31,629 |
| Amount due to a related party | | — | 2,683 |
| Borrowings | <i>15</i> | 1,070,038 | 1,475,412 |
| Provision | | 31,447 | 18,670 |
| Lease liabilities | | 27,662 | 25,904 |
| Current tax liabilities | | 17,208 | 7,329 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 2,769,322 | 3,019,673 |
| | | <hr/> | <hr/> |
| Net current assets | | 534,863 | 241,097 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 1,218,061 | 1,012,100 |
| | | <hr/> | <hr/> |

| | <i>Notes</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Total non-current liabilities | | | |
| Lease liabilities | | <u>114,283</u> | <u>132,377</u> |
| NET ASSETS | | <u>1,103,778</u> | <u>879,723</u> |
| Capital and reserves | | | |
| Share capital | <i>16</i> | 37,209 | 37,209 |
| Reserves | | <u>1,065,879</u> | <u>842,585</u> |
| Equity attributable to owners of the Company | | 1,103,088 | 879,794 |
| Non-controlling interests | | <u>690</u> | <u>(71)</u> |
| TOTAL EQUITY | | <u>1,103,778</u> | <u>879,723</u> |

Notes:

1. GENERAL INFORMATION

PC Partner Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 January 2012. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KYI-1108, Cayman Islands. Its principal place of business is situated at 19/F., Shatin Galleria, 18–24 Shan Mei Street, Fo Tan, New Territories, Hong Kong.

The Company and its subsidiaries (referred to as the “Group”) are engaged in the business of design, manufacturing and trading of electronics and personal computer (“PC”) parts and accessories with its operation base in Mainland China and trading of electronics and PC parts and accessories with its operation bases in Hong Kong, Japan, Korea and the United States of America.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of revised HKFRSs

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020.

| | |
|--|--------------------------|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Conceptual Framework for Financial Reporting (Revised) | |

The Group has not early applied amended HKFRS that is not yet effective for the current accounting period except for the amendment to HKFRS 16 COVID-19 Related Rent Concessions. The early adoption of the amendment to HKFRS 16 has resulted in the recognition of COVID-19 related rent concessions of HK\$1,752,000 in profit and loss as set out in note 6.

Other than amendment to HKFRS 16, the above amended HKFRSs did not have any material impact on the Group’s accounting policies.

(b) Revised HKFRSs that have been issued but are not yet effective

The following revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

| | |
|---|--|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴ |
| Amendments to HKAS 16 | Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract ² |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ³ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵ |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 ¹ |
| Annual Improvements to HKFRSs 2018–2020 ² | |

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The Group is not yet in a position to state whether any of these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

4. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision-maker that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacturing and trading of electronics and PC parts and accessories.

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major products and services, brand and non-brand businesses and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

| For the year ended 31 December | Design, manufacturing and trading of electronics and PC parts and accessories | |
|---|--|-------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Primary geographical markets | | |
| Asia Pacific ("APAC") | 3,158,979 | 2,922,853 |
| North and Latin America ("NALA") | 1,139,745 | 1,216,637 |
| People's Republic of China ("PRC") | 1,638,322 | 2,090,055 |
| Europe, Middle East, Africa and India ("EMEAI") | 1,824,712 | 1,326,932 |
| | <u>7,761,758</u> | <u>7,556,477</u> |
| Major products/services | | |
| Video graphics cards ("VGA Cards") | 6,177,355 | 5,924,392 |
| Electronics manufacturing services ("EMS") | 690,563 | 628,462 |
| Other PC related products and components | 893,840 | 1,003,623 |
| | <u>7,761,758</u> | <u>7,556,477</u> |
| Brand and non-brand businesses | | |
| Brand businesses | 4,357,194 | 3,879,437 |
| Non-brand businesses | 3,404,564 | 3,677,040 |
| | <u>7,761,758</u> | <u>7,556,477</u> |
| Timing of revenue recognition | | |
| At a point in time | <u>7,761,758</u> | <u>7,556,477</u> |

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

| | Revenue from external customers (by customer location) | | Specified non-current assets | |
|------|---|-------------------------|------------------------------|-------------------------|
| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
| APAC | 3,158,979 | 2,922,853 | 23,049 | 24,198 |
| NALA | 1,139,745 | 1,216,637 | 23,479 | 24,080 |
| PRC | 1,638,322 | 2,090,055 | 618,515 | 686,065 |
| EMEA | 1,824,712 | 1,326,932 | 207 | 330 |
| | <u>7,761,758</u> | <u>7,556,477</u> | <u>665,250</u> | <u>734,673</u> |

(c) Information about the major customer

During the years ended 31 December 2020 and 2019, none of the customers contributed 10% or more of the Group's revenue.

5. REVENUE

Revenue represents the net invoiced value of goods sold and service income earned by the Group.

The following table provides information about contract liabilities from contracts with customers.

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------|-------------------------|-------------------------|
| Contract liabilities | <u>76,150</u> | <u>31,629</u> |

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK\$14,443,000 of the contract liabilities as at 1 January 2020 and HK\$20,845,000 of the contract liabilities as at 1 January 2019 has been recognised as revenue for the year ended 31 December 2020 and 2019 respectively from performance obligations satisfied when the goods were sold.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Government grants (<i>note</i>) | 10,805 | 1,014 |
| Interest income | 15,280 | 5,438 |
| Net exchange gains/(losses) | 40,485 | (23,341) |
| Net fair value gains on derivative financial instruments | 1,325 | 486 |
| Gain on disposal of property, plant and equipment | 141 | 160 |
| Sundry income | 8,718 | 2,971 |
| Rental income | 28,647 | 3,834 |
| COVID-19-related rent concessions | 1,752 | — |
| Loss on modification of repayment terms of trade receivables | (12,349) | — |
| Gain on disposal of subsidiary | — | 21 |
| | <u>94,804</u> | <u>(9,417)</u> |

Note: Included in profit or loss is HK\$9,003,000 (2019: Nil) of government grants obtained from Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group’s employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The Group does not have other unfulfilled obligations relating to this program. The remaining government grants were received from several PRC local government authorities on a discretionary basis before year end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

7. FINANCE COSTS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest on bank advances and other borrowings | 24,857 | 47,972 |
| Interest on lease liabilities | 5,336 | 5,527 |
| | <u>30,193</u> | <u>53,499</u> |

8. PROFIT BEFORE INCOME TAX

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Inventories recognised as expense (<i>note (a)</i>) | 6,966,403 | 7,040,163 |
| Staff costs (<i>note (b)</i>) | 448,059 | 368,785 |
| Auditor's remuneration | 1,671 | 1,696 |
| Bad debts written off | 2,180 | 162 |
| Depreciation of property, plant and equipment | 80,492 | 34,869 |
| Depreciation of right-of-use assets | 30,928 | 27,870 |
| Impairment of intangible assets | 1,530 | — |
| Impairment losses on financial assets | 1,782 | 5,960 |
| Short-term lease expenses | 322 | 4,772 |
| Low-value assets leases expenses | 22 | 96 |
| Property, plant and equipment written off | 15 | 46 |
| Provision/(reversal of provision) for product warranties and returns, net | 30,452 | (3,598) |
| Research and development expenditure (<i>note (c)</i>) | <u>58,113</u> | <u>50,814</u> |

Notes:

- (a) Included in the figures disclosed above is write down of inventories to net realisable value of approximately HK\$59,201,000 (2019: HK\$341,277,000) of which approximately HK\$Nil (2019: HK\$112,461,000) is related to the inventories transferred to a joint venture.
- (b) The PRC government's grant in the form of exemption of payment of social insurance of HK\$11,720,000 is reflected by reducing the related expenses for the year ended 31 December 2020.
- (c) The research and development expenditure for the year represents depreciation of plant and machinery and office equipment and right-of-use assets and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

9. INCOME TAX

The amount of income tax expense/(credit) in the consolidated statement of comprehensive income represents:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current tax — Hong Kong | | |
| — provision for the year | 16,014 | 2 |
| — over provision in respect of prior year | (91) | (2,136) |
| Current tax — PRC | | |
| — provision for the year | 1,922 | 9,507 |
| — under provision in respect of prior year | 4,755 | 300 |
| Current tax — others | | |
| — provision for the year | 1,493 | 2,725 |
| — under provision in respect of prior year | 74 | 54 |
| | <u>24,167</u> | <u>10,452</u> |
| Deferred tax | | |
| — origination and reversal of temporary differences | <u>15,516</u> | <u>(19,289)</u> |
| Income tax expense/(credit) | <u><u>39,683</u></u> | <u><u>(8,837)</u></u> |

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 Company'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.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profit tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK\$2 million and 16.5% on any part of assessable profits over HK\$2 million. For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profits shall remain in calculating Hong Kong profits tax. For the years ended 31 December 2020 and 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. A significant subsidiary of the Company, PC Partner Limited, is entitled to claim 50% of all of its manufacturing profits as offshore in nature and non-taxable under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong.

The Company's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during 2012 and renewed successfully for three years from 2018 to 2020 and the applicable PRC enterprise income tax rate for the year is 15% (2019: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2019: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2020.

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

10. DIVIDENDS

The directors of the Company proposed a final dividend of HK\$0.22 (2019: HK\$Nil) per share, totalling HK\$81,861,000 (2019: HK\$Nil) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2020 and 2019 is based on the following data:

| Profit | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | <u>207,276</u> | <u>10,266</u> |
| Number of shares | 2020 | 2019 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 372,093,668 | 372,093,668 |
| Effect of dilutive potential ordinary shares: — share options | <u>138,282</u> | — |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>372,231,950</u> | <u>372,093,668</u> |

12. TRADE AND OTHER RECEIVABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade receivables at amortised cost | 1,375,207 | 1,338,011 |
| Less: Accumulated impairment losses | <u>(9,924)</u> | <u>(10,411)</u> |
| Trade receivables at amortised cost, net | <u>1,365,283</u> | <u>1,327,600</u> |
| Trade receivables at fair value through profit or loss (<i>note</i>) | 32,038 | 50,177 |
| Other receivables | 5,535 | 7,134 |
| Deposits and prepayments | 24,798 | 20,557 |
| Less: Accumulated impairment losses | <u>(4,247)</u> | <u>(1,979)</u> |
| | <u>20,551</u> | <u>18,578</u> |
| | <u>1,423,407</u> | <u>1,403,489</u> |
| Less: Trade receivables — non-current portion | (201,027) | (212,897) |
| Rental deposits — non-current portion | <u>(4,110)</u> | <u>—</u> |
| | <u>(205,137)</u> | <u>(212,897)</u> |
| Trade and other receivables — current portion | <u>1,218,270</u> | <u>1,190,592</u> |

The ageing analysis of trade receivables at amortised cost (net of impairment losses) of the Group, based on invoice dates, as at the end of the year is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Within 1 month | 615,737 | 469,729 |
| Over 1 month but within 3 months | 271,856 | 494,129 |
| Over 3 months but within 1 year | 16,749 | 361,968 |
| Over 1 year | <u>460,941</u> | <u>1,774</u> |
| | <u>1,365,283</u> | <u>1,327,600</u> |

The credit period on sale of goods is 30 to 90 days (2019: 30 to 90 days) from the invoice date.

Movement in the loss allowance account in respect of trade receivables at amortised cost during the year is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| At 1 January | 10,411 | 6,238 |
| Impairment losses reversed/recognised during the year | (486) | 5,008 |
| Amounts written off during the year | — | (884) |
| Exchange difference | (1) | 49 |
| | <hr/> | <hr/> |
| At 31 December | 9,924 | 10,411 |
| | <hr/> <hr/> | <hr/> <hr/> |

Note:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Trade receivables at fair value through profit or loss | 32,038 | 50,177 |
| | <hr/> <hr/> | <hr/> <hr/> |

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on invoice dates, at the end of the year is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------------|--------------------------------|-------------------------|
| Within 1 month | 6,122 | 22,428 |
| Over 1 month but within 3 months | 25,431 | 26,157 |
| Over 3 months but within 1 year | 485 | 1,592 |
| | <hr/> | <hr/> |
| | 32,038 | 50,177 |
| | <hr/> <hr/> | <hr/> <hr/> |

13. INVENTORIES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Raw materials | 572,361 | 525,276 |
| Work in progress | 9,310 | 14,831 |
| Finished goods | <u>456,752</u> | <u>705,611</u> |
| | 1,038,423 | 1,245,718 |
| Less: Provision for obsolete inventories | <u>(130,162)</u> | <u>(119,695)</u> |
| | <u><u>908,261</u></u> | <u><u>1,126,023</u></u> |

14. TRADE AND OTHER PAYABLES

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Trade payables | 1,279,516 | 1,311,199 |
| Other payables and accruals | <u>204,542</u> | <u>99,122</u> |
| | <u><u>1,484,058</u></u> | <u><u>1,410,321</u></u> |

All trade and other payables and accruals are due to be settled within twelve months.

The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of the year is as follows:

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|----------------------------------|-------------------------|-------------------------|
| Within 1 month | 688,034 | 394,288 |
| Over 1 month but within 3 months | 531,917 | 755,159 |
| Over 3 months but within 1 year | 53,746 | 156,146 |
| Over 1 year | <u>5,819</u> | <u>5,606</u> |
| | <u><u>1,279,516</u></u> | <u><u>1,311,199</u></u> |

15. BORROWINGS

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Bank loans — guaranteed | 50,000 | 248,569 |
| Bank loans — non-guaranteed | 3,000 | — |
| Import loans — guaranteed | <u>1,017,038</u> | <u>1,226,843</u> |
| | <u>1,070,038</u> | <u>1,475,412</u> |

The above borrowings are denominated in HK\$ and US\$ as follows:

| | 2020 | | | 2019 | | |
|-----------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|
| | Denominated in | | Total <i>HK\$'000</i> | Denominated in | | Total <i>HK\$'000</i> |
| HK\$ <i>HK\$'000</i> | US\$ <i>HK\$'000</i> | HK\$ <i>HK\$'000</i> | | US\$ <i>HK\$'000</i> | HK\$ <i>HK\$'000</i> | |
| Bank loans — guaranteed | 50,000 | — | 50,000 | 100,000 | 148,569 | 248,569 |
| Bank loans — non-guaranteed | — | 3,000 | 3,000 | — | — | — |
| Import loans — guaranteed | — | <u>1,017,038</u> | <u>1,017,038</u> | <u>555,904</u> | <u>670,939</u> | <u>1,226,843</u> |
| | <u>50,000</u> | <u>1,020,038</u> | <u>1,070,038</u> | <u>655,904</u> | <u>819,508</u> | <u>1,475,412</u> |

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

| | 2020 <i>HK\$'000</i> | 2019 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Within 1 year | 1,069,371 | 1,475,412 |
| Over 1 year but within 2 years | <u>667</u> | <u>—</u> |
| | <u>1,070,038</u> | <u>1,475,412</u> |

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 consolidated statement of financial position.

16. SHARE CAPITAL

| | 2020 | | 2019 | |
|-------------------------------------|----------------------|---------------------------|----------------------|---------------------------|
| | Number of shares | Amount <i>HK\$'000</i> | Number of shares | Amount <i>HK\$'000</i> |
| Authorised: | | | | |
| Ordinary shares of HK\$0.10 each | <u>1,000,000,000</u> | <u>100,000</u> | <u>1,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.10 each | <u>372,093,668</u> | <u>37,209</u> | <u>372,093,668</u> | <u>37,209</u> |

FINAL DIVIDEND

The Board recommends the payments of a final dividend of HK22 cents per share for the year ended 31 December 2020 be paid on or before 15 July 2021 (Thursday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 28 June 2021 (Monday). The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") to be held on 18 June 2021 (Friday).

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on 18 June 2021 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2020 Annual Report in due course.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

- (a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 15 June 2021 (Tuesday) to 18 June 2021 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 11 June 2021 (Friday) for registration of the relevant transfer.
- (b) The proposed final dividend is subject to the approval of the shareholders at the Annual General Meeting. The record date for the proposed final dividend is fixed on 28 June 2021 (Monday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 24 June 2021 (Thursday) to 28 June 2021 (Monday) (both days inclusive), during which time no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 23 June 2021 (Wednesday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the design, manufacturing and trading of video graphics card (“VGA Cards”) for desktop computer, electronics manufacturing services (“EMS”) and manufacturing and trading in other PC related products and components.

The Group manufactures VGA Cards for Original Design Manufacturer/Original Equipment Manufacturer (“ODM/OEM”) customers and also manufactures and market VGA Cards and other products under its own brands, namely ZOTAC, Inno3D and Manli. The business relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. VGA Cards remain the core business of the Group for the year under review.

The Group provides EMS to globally recognized brands, including major providers of Automatic Teller Machines (“ATM”) and Point-Of-Sales (“POS”) systems, industrial devices, and various types of consumer electronic products. Aside from VGA Cards and the EMS businesses, the Group manufactures and sell other PC related products such as computers, motherboards, and other products and further derives revenue from trading of products and components.

Business Performance

Revenue has recorded an increase of HK\$205.3 million, or 2.7%, from HK\$7,556.5 million in 2019 to HK\$7,761.8 million in 2020. The change was mainly resulted from an increase in sales of VGA Cards by HK\$253.0 million as compared to last year. Besides the increase in sales of VGA Cards, the EMS has also recorded an increase in revenue by HK\$62.1 million but other PC related products and components have recorded a decline in revenue by HK\$109.8 million as compared to last year.

VGA Cards business has recorded an increase of HK\$253.0 million, or 4.3%, from HK\$5,924.4 million in 2019 to HK\$6,177.4 million in 2020. Sales increase in own brands VGA Cards has fully offset the decline in the ODM/OEM VGA Cards. Sales of own brand VGA Cards increased by HK\$584.3 million, or 16.2%, from HK\$3,610.9 million in 2019 to HK\$4,195.2 million in 2020, it was mainly due to a strong demand of 2nd generation RTX VGA Cards being launched in the second half of the year together with a rising demand of computer and gaming hardware includes VGA Cards during the COVID-19 pandemic outbreak. ODM/OEM orders on VGA Cards decreased by HK\$331.3 million, or 14.3%, from HK\$2,313.5 million in 2019 to HK\$1,982.2 million in 2020. Work from home, on-line study and home entertainment during the COVID-19 pandemic outbreak resulted in a rising demand of computer and gaming hardware. Shortage of supply on both central processing unit (“CPU”) and GPU affected PC production schedules of ODM/OEM customers, and such schedule delay caused a drop in revenue of the ODM/OEM VGA Cards segment.

EMS business recorded an increase of HK\$62.1 million, or 9.9%, from HK\$628.5 million in 2019 to HK\$690.6 million in 2020, the growth was mainly due to more orders from customers on the ATM and POS systems during the year. Other PC related products and components business decreased by HK\$109.8 million, or 10.9%, from HK\$1,003.6 million in 2019 to HK\$893.8 million in 2020. It was mainly caused by a shortage in supply of CPU and some projects being delayed or cancelled during the COVID-19 lockdown in different countries.

Revenue of brand business sector increased by HK\$477.8 million, or 12.3%, from HK\$3,879.4 million in 2019 to HK\$4,357.2 million in 2020, it was mainly driven by a strong demand of 2nd generation RTX VGA Cards being launched in the second half of the year and a rising demand of computer and gaming hardware due to work from home, on-line study and home entertainment during the COVID-19 pandemic outbreak. The ODM/OEM business sector which includes component trade has recorded a drop in revenue of HK\$272.5 million, or 7.4%, from HK\$3,677.1 million in 2019 to HK\$3,404.6 million in 2020. The decline in ODM/OEM orders were mainly caused by a shortage of supply on CPU and GPU to PC system builders and some ODM/OEM projects being delayed or cancelled during the COVID-19 lockdowns.

The Asia Pacific (“APAC”) and the Europe, Middle East, Africa and India (“EMEAI”) regions have performed better than the North and Latin American (“NALA”) and the People’s of Republic of China (“PRC”) in 2020. APAC region and EMEAI region have recorded an increase in revenue by 8.1% and 37.5% respectively. NALA region and the PRC region have experienced a drop in revenue by 6.3% and 21.6% respectively.

APAC Region

In the APAC region, the revenue increased by HK\$236.1 million, or 8.1%, from HK\$2,922.9 million in 2019 to HK\$3,159.0 million in 2020. It was mainly driven by a strong demand of 2nd generation RTX VGA Cards which offset a decline in other product lines under own brand business and the ODM/OEM orders during the year. In addition, rising demand of computer and gaming hardware during the COVID-19 pandemic outbreak also resulted in higher revenue of the own brand business in the region.

EMEI Region

In the EMEI region, the revenue amounted to HK\$1,824.7 million in 2020, represented an increase of HK\$497.8 million, or 37.5%, as compared to HK\$1,326.9 million in 2019. It was mainly driven by a strong demand of 2nd generation RTX VGA Cards and a rising demand of computer and gaming hardware during the COVID-19 pandemic outbreak under own brand business segment together with additional orders of ATM and POS systems under EMS division during the year.

NALA Region

In the NALA region, the revenue amounted to HK\$1,139.8 million in 2020, represented a decrease of HK\$76.8 million, or 6.3%, as compared to HK\$1,216.6 million in 2019. It was mainly associated with a decline in sales of own brand products and there were less ODM/OEM orders from customers during the year. Shortage of CPU supplies which caused delay to fulfill customer orders during the year has also resulted in a drop in revenue. Lockdown and high infection rate of coronavirus has resulted in some major ports in the United States experienced a heavy port congestion and vessel delay due to lack of sufficient dockworkers and truckers. There were containers stuck in the ports by end of the year which resulted in delay of fulfilment of customer orders.

PRC Region

In the PRC region, the revenue amounted to HK\$1,638.3 million in 2020, representing a decrease of HK\$451.8 million, or 21.6%, as compared to HK\$2,090.1 million in 2019. It was mainly associated with a decline in sales of own brand products and there were less ODM/OEM orders from customers during the year.

Business Compliance

The Group has achieved an on-going compliance with laws and regulations with its operating entities, and fulfilled different social responsibilities according to ISO9001, ISO14001, ISO45001, QC080000 and the code issued by Electronic Industry Citizenship Coalition (“EICC”).

Principal Risks and Uncertainties

The Group has operated in a fast moving and highly competitive environment and the product life cycle tends to be shortened over the years. New products introduction requires significant resources involvement from development, production, sales and marketing. The Group will be at risk and may lag behind the competition if it cannot respond promptly to the changing business environment. Technological change may impose an adverse impact on the business if the Group is unable to adopt new technologies and develop the relevant products to catch the market trend on timely basis. Talent is a key to success of technology company so that engineering and product development talents are critical to the Group. Lack of capable talents on design and development of new products is a risk to the Group on competitiveness. The Group would continue to review the human resources and look for capable talents to join the Group in order to stay ahead of technology and develop new products efficiently against competition.

Business relationship with customers and suppliers are also crucial for business success. The Group has established a long business partnership with both AMD and NVIDIA, and rides on the technologies from these technology leaders to develop own products and gain the know-how of the technologies on business development. Discontinuance of the business partnership would be a threat to the Group. The Group would continue to maintain a strategic business relationship with the technology partners, customers and suppliers, and continue to explore new cooperation opportunities in the industry.

The outbreak of COVID-19 pandemic caused production facilities being subject to lockdown and interrupted the supply chain earlier this year. Many countries and cities have been subject to lockdown for a certain period of times during the year. This has already caused a significant decline in Gross Domestic Product (“GDP”) and high unemployment rate in many countries for the year, and it is likely to take some time for the global economy to recover. Fortunately, the world is moving faster than expected to come up with coronavirus vaccines and many countries have started vaccine injection for their citizens before end of the year. However, there were coronavirus mutations being reported in different countries. The World Health Organization (“WHO”) is still gathering data and monitoring the development closely, hopefully the new vaccines can also offer sufficient protection to human being to fight against the virus and the mutated virus. It would be a risk to the Group if vaccines cannot offer the expected protection to human being and the outbreak of COVID-19 pandemic continues for a much longer period of time that may hurt supply chain and logistics, productivity, and both consumer and corporate demands.

The growing tensions over trade and technology between the two biggest economies, China and United States, is a threat to the global economy which may affect confidence in terms of consumer spending and corporate capital expenditure. A further trade restriction and tariff imposed on import and export of technology and products between China and United States would increase the cost of products and then ultimately pass onto consumers that may discourage and reduce consumer and corporate demand in long run. Furthermore, it is still uncertain about the impact to the business of the Group of the revocation of the United States — Hong Kong Policy Act of 1992 in future. Most of the products manufactured by the Group rely on U.S. technologies, it is a risk to the Group if United States will put a restriction on export of consumer grade technologies to Hong Kong.

VGA Card has recently experienced a rising demand on cryptocurrency mining since the last quarter of the year. The appreciation of cryptocurrency generated a dramatic increase in computer hardware demand which includes VGA Cards back in 2017; however, the demand momentum was lost once the cryptocurrency significantly depreciated in 2018. Those companies and individuals who bought machines and VGA Cards for cryptocurrency purposes ended up with reselling their equipment on hand at discount in the channel market, the market was flooded with both new and second hand VGA Cards and took more than one year to clear the inventories. The Group ended up with a significant write down on inventories and sold VGA Cards at discount or at a loss in order to reduce the inventory risk. Although the Group remains focusing on gaming business and not selling VGA Cards to cryptocurrency players, the Group could not control its customers and distributors who might have sold products to the cryptocurrency players either directly or indirectly even though the Group has strongly advised its customers and distributors not to sell the Group's products to the cryptocurrency players. If the cryptocurrency prices crashed again in future, inventory risk will increase and the Group may be compelled to clear on-hand inventories by selling products at a discount or at a loss again.

The Group is not aware of any other particular or important event that has occurred which would trigger a risk and uncertainty as at 31 December 2020.

Outlook

Global economy is expected to rebound from the COVID-19 pandemic outbreak in 2021, many countries have started vaccines injection for their citizens which will help to reactivate business activities progressively. We believe the demand of computer and gaming hardware will remain strong since there will still be large population of people who remain to work from home, conduct meetings and events virtually, study and play online throughout this year. This is likely turning into a new habits for many businesses and people in future. Semiconductor foundries are running at full capacities and we don't see much improvement in supply of CPU and GPU for most of the time in this year. Therefore the supplies of computer hardware and VGA Cards will still be tight in this year.

Hardware prices are rising to reflect an increase in cost of components, operating costs, and logistic costs plus a continuation of import tariffs in the United States for products made in China. Demand of VGA Cards keeps moving towards a higher average selling price product lines. We do see a strong new and replacement demands of the 2nd generation RTX VGA Cards. Many new video games embedded with latest technologies which require an upgrade of VGA Cards in order to enjoy a great gaming experience. Popularity of E-Sport has also successfully inspired many gamers to upgrade their hardware for a greater gaming experience. All of the above shows a good sign of business for the upcoming year.

However, the business is not without potential risk and challenge. It is reasonable to suspect that the dramatic rising demand of VGA Cards was partly due to many people bought VGA Cards for cryptocurrency mining instead of gaming since the cryptocurrency prices jumped up significantly, this could be one of the reasons causing VGA Cards shortage on top of the strong demand from gamers. The Company and many players in the industry had suffered a loss on inventory value written down and sold products at discount back in 2018/2019 after the cryptocurrency prices crashed since many cryptocurrency miners sold their used VGA Cards and equipment at a big discount in the market. The Group does not support cryptocurrency mining to avoid the same incident happen in future. Unfortunately, we are unable to manage the situation since cryptocurrency miners might have purchased VGA Cards through distributors, retailers and on-line stores even though we have strongly advised our customers not to support cryptocurrency miners. NVIDIA has recently announced to launch a Cryptocurrency Mining Processor (“CMP”) specially designed for cryptocurrency mining application and PC Partner is appointed to be one of the partners to deliver the CMP solution to fulfill the demand from cryptocurrency mining. Hopefully, the VGA Cards market will not be distorted too much by the fluctuation in prices of cryptocurrencies in future. We remain cautious on inventory management in case the market demand change rapidly.

The Group continues to ensure a safe working environment to protect our employees at all its locations worldwide, in line with government and World Health Organisation recommendations.

Financial Review

Revenue

The Group’s total revenue increased by HK\$205.3 million, or 2.7%, from HK\$7,556.5 million in 2019 to HK\$7,761.8 million in 2020. It was mainly driven by a strong demand of 2nd generation RTX VGA Cards launched in the second half of the year under own brand business that has fully offset a decline in ODM/OEM orders for the year.

Revenue on VGA Cards increased by HK\$253.0 million, or 4.3%, from HK\$5,924.4 million in 2019 to HK\$6,177.4 million in 2020. Revenue on own brand VGA Cards increased by HK\$584.3 million, or 16.2%, from HK\$3,610.9 million in 2019 to HK\$4,195.2 million in 2020 and the revenue on ODM/OEM orders of VGA Cards decreased by HK\$331.3 million, or 14.3%, from HK\$2,313.5 million in 2019 to HK\$1,982.2 million in 2020. Revenue increased in own brand VGA Cards was mainly due to 2nd generation RTX VGA Cards launched in the second half of the year were selling very well and a rising demand of VGA Cards during the COVID-19 pandemic outbreak since people are forced to work from home, studied on-line and increased on-line entertainment activities. Sales decline in ODM/OEM VGA Cards was mainly due to a shortage of GPU supply which resulted in a decrease in ODM/OEM orders during the year. A shortage of supply on both CPU and GPU affected the PC production schedules of ODM/OEM customers and such production schedule delay resulted in a drop in revenue of the ODM/OEM VGA Cards segment.

Revenue derived from the EMS business amounted to HK\$690.6 million in 2020, represented an increase of HK\$62.1 million, or 9.9%, as compared to HK\$628.5 million in 2019. The growth was mainly due to more orders from the customers on the ATM and POS systems during the year.

Other PC related products and components business decreased by HK\$109.8 million, or 10.9%, from HK\$1,003.6 million in 2019 to HK\$893.8 million in 2020. It was mainly caused by a shortage in supply of CPU and some projects being delayed or cancelled during the COVID-19 lockdowns.

Gross Profit and Margin

The Group's gross profit in 2020 was HK\$795.4 million, represented an increase of HK\$279.1 million, or 54.1%, as compared with HK\$516.3 million in 2019. Gross profit margin increased by 3.4% to 10.2% in 2020 as compared with 6.8% in 2019. The gross profit margin has increased from 9.0% in the first half year of 2020 to 11.1% in the second half year of 2020, it was mainly driven by a higher gross profit margin of 2nd generation RTX VGA Cards and price increases on own brand products.

Material cost as a percentage of sales reduced by 2.7% from 89.8% in 2019 to 87.1% in 2020, the improvement was mainly contributed by price increase due to a rising demand of computer hardware products together with higher gross profit margin of 2nd generation RTX VGA Cards being launched in the second half of the year. The Group has spent less on conversion cost which included direct labour and production overheads for a total of HK\$49.0 million, or 19.1% from HK\$257.2 million in 2019 to HK\$208.2 million in 2020. Conversion costs as a percentage of sales improved by 0.7% from 3.4% in 2019 to 2.7% in 2020. The change was mainly contributed by cost reduction and increase in selling prices of products.

Operating Expenses

Operating expenses, consisted of selling and distribution expenses, administrative expenses, impairment loss on financial assets and finance costs, increased by HK\$139.2 million, or 26.6%, from HK\$523.3 million in 2019 to HK\$662.5 million in 2020. Both the selling and distribution expenses and administrative expenses have increased which offset a decline of both the impairment loss on financial assets and the finance costs in the year.

Overall selling and distribution expenses gone up in 2020 even though the marketing expenses, a part of selling and distribution expenses, have been reduced for more than 30% since most of the shows and exhibitions were cancelled due to the COVID-19 lockdowns in the year. Selling and distribution expenses increased by HK\$34.5 million, or 35.1%, from HK\$98.4 million in 2019 to HK\$132.9 million in 2020. The change was mainly associated with additional provision of return merchandize and increase in export costs on air and sea freight. Majority of passenger flights being suspended during COVID-19 pandemic outbreak resulted in a significant decline in air cargo capacity which has forced the air cargo charges gone up significantly. In addition, COVID-19 pandemic outbreak has also resulted in some major ports in the United States experienced a heavy port congestion and vessel delay due to lack of sufficient dockworkers and truckers which also pushed the sea shipment charges up significantly before end of the year.

Administrative expenses spent HK\$128.0 million more than last year, the spending increased by 34.5% from HK\$371.4 million in 2019 to HK\$499.4 million in 2020. Staff cost which represented approximately 69.5% of the total administrative expenses increased by HK\$90.1 million, or 35.0%, from HK\$257.1 million in 2019 to HK\$347.2 million in 2020, it was mainly due to performance bonus provision for the year of 2020. Other administrative expenses increased by HK\$37.9 million, or 33.2%, from HK\$114.3 million in 2019 to HK\$152.2 million in 2020 which was mainly associated with additional depreciation of new fixed assets being acquired in last year.

Finance costs decreased by HK\$23.3 million, or 43.6%, from HK\$53.5 million in 2019 to HK\$30.2 million in 2020. It was mainly due to a reduction of bank borrowings in the year.

The impairment losses on financial assets decreased by HK\$4.2 million, or 70.0%, from HK\$6.0 million in 2019 to HK\$1.8 million in 2020. It was mainly due to a decrease in expected credit loss in the year of 2020 as compared to the prior year.

Other revenue and other gains and losses increased by HK\$104.2 million, from a loss of HK\$9.4 million in 2019 to a gain of HK\$94.8 million in 2020. The Group recorded a net exchange gain of HK\$40.5 million in 2020 as compared to a net exchange loss of HK\$23.3 million in 2019, the net change of the exchange gain and loss was HK\$63.8 million, represented approximately 61.2% of the increase in other revenue and other gains and losses. In addition, interest income together with net fair value gains on derivative financial instruments increased by HK\$10.7 million from HK\$5.9 million in 2019 to HK\$16.6 million in 2020. Government grants increased significantly by HK\$9.8 million from HK\$1.0 million in 2019 to HK\$10.8 million in 2020. Majority of the government grants received in the year of 2020 was associated with Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. The Group generated income on leasing machines and equipment for a total of HK\$28.6 million in 2020 and such income was only HK\$3.8 million in the year of 2019.

Share of profit of a joint venture increased by HK\$2.6 million, or 14.9%, from HK\$17.4 million in 2019 to HK\$20.0 million in 2020. Increase in the profit sharing from the joint venture was mainly resulted from an increase in operating scale that generated more profit from the operation in the second half of the year.

Profit for the Year

The Group recorded a profit attributable to owners of the Company of HK\$207.3 million in 2020 as compared with the profit attributable to owners of the Company of HK\$10.3 million in 2019. It was mainly contributed by price increase together with a higher gross profit margin of the newly launched 2nd generation RTX VGA Cards under brand businesses.

Income tax expenses of HK\$39.7 million was recorded in 2020, it was an income tax credit of HK\$8.8 million in 2019. The change was mainly due to most of the operating entities in the Group being profitable in this year compared to the loss in last year.

Profit Attributable to Owners of the Company and Dividends

The profit attributable to owners of the Company in 2020 was HK\$207.3 million which resulted in an earnings of HK56 cents per share. It was a profit attributable to owners of the Company of HK\$10.3 million with basic and diluted earnings of HK\$3 cents per share in 2019. The Board of Directors proposed a final dividend of HK22 cents per share for the year ended 31 December 2020 and it is estimated to be HK\$81.9 million in total.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds have increased by HK\$223.3 million, or 25.4%, from HK\$879.8 million as at 31 December 2019 to HK\$1,103.1 million as at 31 December 2020.

Financial Position

Total non-current assets decreased by HK\$87.8 million, or 11.4%, from HK\$771.0 million as at 31 December 2019 to HK\$683.2 million as at 31 December 2020. The change was mainly due to a decrease in net book value of property, plant and equipment and the right-of-use assets.

The Group has frozen capital expenditure plans and has minimized spending on capital expenditure during COVID-19 pandemic outbreak in 2020. Total capital expenditure spending reduced to HK\$9.3 million in 2020. The net book value of property, plant and equipment decreased by HK\$71.3 million, or 33.1%, from HK\$215.5 million as at 31 December 2019 to HK\$144.2 million as at 31 December 2020, the change was mainly associated with depreciation incurred for the year. Right-of-use assets decreased by HK\$19.6 million, or 12.6%, from HK\$156.1 million as at 31 December 2019 to HK\$136.5 million as at 31 December 2020. The change was mainly associated with the depreciation of the lease contracts on land and buildings under the right-of-use assets. Interest in a joint venture increased by HK\$30.9 million, or 21.5%, from HK\$143.8 million as at 31 December 2019 to HK\$174.7 million as at 31 December 2020. The change was mainly due to profit shared by the Group for the year.

Trade and other receivables under non-current assets decreased by HK\$7.8 million, or 3.7%, from HK\$212.9 million as at 31 December 2019 to HK\$205.1 million as at 31 December 2020. It was associated with an instalment payment plan in a sales contract with a customer for sale of VGA Cards before year ended 31 December 2019. However, the COVID-19 pandemic outbreak has resulted in operation lockdown of the customer that resulted in delay of the payment. A revised repayment schedule was agreed by both parties and the last instalment will fall in September 2022. Furthermore, deferred tax assets decreased by HK\$15.5 million from HK\$25.9 million as at 31 December 2019 to HK\$10.4 million as at 31 December 2020, it was mainly due to realisation of deferred tax assets charged to profit or loss during the year.

The Group has total current assets of HK\$3,304.2 million as at 31 December 2020 and HK\$3,260.8 million as at 31 December 2019. The Group's total current liabilities amounted to HK\$2,769.3 million as at 31 December 2020 and HK\$3,019.7 million as at 31 December 2019. The Group's current ratio, defined as total current assets over total current liabilities, increased from 1.1 as at 31 December 2019 to 1.2 as at 31 December 2020.

The Group's cash and bank balances increased from HK\$906.9 million as at 31 December 2019 to HK\$1,124.6 million as at 31 December 2020. Borrowings reduced from HK\$1,475.4 million as at 31 December 2019 and HK\$1,070.0 million as at 31 December 2020. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounted to HK\$27.7 million and non-current lease liabilities amounted to HK\$114.3 million as at 31 December 2020. The Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) decreased from 82.7% as at 31 December 2019 to 8.0% as at 31 December 2020. The change was mainly due to an improvement in cash in-flow in the second half of the year as a result of increase in cash and bank balances together with a decrease in bank borrowings by end of the year.

Trade and other receivables consisted of both trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment increased by HK\$19.9 million, or 1.4%, from HK\$1,403.5 million as at 31 December 2019 to HK\$1,423.4 million as at 31 December 2020. The increase was mainly associated with an increase in trade receivables as at 31 December 2020. Trade receivables at amortised cost slightly increased by HK\$37.7 million, or 2.8%, from HK\$1,327.6 million as at 31 December 2019 to HK\$1,365.3 million as at 31 December 2020. Trade receivables under factoring arrangement at fair value decreased by HK\$18.2 million, or 36.3%, from HK\$50.2 million as at 31 December 2019 to HK\$32.0 million as at 31 December 2020. Other receivables, deposits and prepayment increased by HK\$0.4 million, or 1.6%, from HK\$25.7 million as at 31 December 2019 to HK\$26.1 million as at 31 December 2020, such an increase was mainly due a temporary deposit paid to custom in China before end of the year.

Trade and other payables increased by HK\$73.8 million, or 5.2%, from HK\$1,410.3 million as at 31 December 2019 to HK\$1,484.1 million as at 31 December 2020. Trade payables decreased by HK\$31.7 million, or 2.4%, from HK\$1,311.2 million as at 31 December 2019 to HK\$1,279.5 million as at 31 December 2020. It was in-line with lower inventories which resulted in a lower trade payable balance as at 31 December 2020. Other payables increased from HK\$99.1 million as at 31 December 2019 to HK\$204.6 million as at 31 December 2020. It was mainly associated with provision of performance bonus for the year.

Under HKFRS 15, the Group is required to report provision of sales return warranty under refund liabilities in the current liabilities section and the relevant costs of return is reported under the right of return assets in the current assets section. Right of return assets increased by HK\$15.3 million, or 41.0%, from HK\$37.3 million as at 31 December 2019 to HK\$52.6 million as at 31 December 2020. Refund liabilities increased by HK\$15.1 million, or 31.7%, from HK\$47.7 million as at 31 December 2019 to HK\$62.8 million as at 31 December 2020. It was mainly due to an increase in sales of own brand VGA Cards which resulted in a higher level of provision of sales return warranty under refund liabilities and the costs of return reported under the right of return assets on the financial statement.

Advance payment from customers and volume rebates together with sales allowance under contract liabilities increased by HK\$44.6 million, or 141.1%, from HK\$31.6 million as at 31 December 2019 to HK\$76.2 million as at 31 December 2020. It was due to advance payments from some customers to purchase 2nd generation RTX VGA Cards before end of the year. Provisions on product warranties and returns increased from HK\$18.7 million as at 31 December 2019 to HK\$31.4 million as at 31 December 2020, it was associated with increase in sales of own brand VGA Cards which led to a high provision on product warranties.

Current tax liabilities increased from HK\$7.3 million as at 31 December 2019 to HK\$17.2 million as at 31 December 2020. The change was mainly due to most of the operating entities in the Group being profitable in this year compared to the loss in last year. Amount due to a related party was HK\$2.7 million as at 31 December 2019 and reduced to HK\$Nil as at 31 December 2020 since the transactions were no longer classified as related party before end of the year.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2020, the Group was exposed to currency risk primarily through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily Renminbi, Euro, Korean Won and Japanese Yen. The Group entered into several forward exchange contracts in 2019 and 2020.

Working Capital

Inventories of the Group as at 31 December 2020 were HK\$908.3 million which decreased by HK\$217.7 million, or 19.3%, as compared with HK\$1,126.0 million as at 31 December 2019. Inventory turnover days decreased from 94 days as at 31 December 2019 to 53 days as at 31 December 2020. Work from home, on-line studies and home entertainment created a rising demand of computer and gaming hardware during the COVID-19 pandemic outbreak. The business of the Group has benefited from the rising demand of computer and gaming hardware which resulted in lower level of inventories throughout the year. In addition, the newly launched 2nd generation RTX VGA Cards in the second half of the year were selling very well, such a high demand of these new gaming products has resulted in a faster inventory turns and a lower level of inventories by end of the year.

Trade receivables as at 31 December 2020 were HK\$1,397.3 million, increased by HK\$19.5 million, or 1.4%, as compared with HK\$1,377.8 million as at 31 December 2019. Trade receivable turnover days increased from 54 days as at 31 December 2019 to 65 days as at 31 December 2020. The Group has entered into an instalment payment plan with a customer that has caused a slowdown of trade receivables turnover days in 2020. However, the trade receivable turnover days has been improved from 77 days as at 30 June 2020 to 65 days as at 31 December 2020.

Trade payables as at 31 December 2020 was HK\$1,279.5 million, decreased by HK\$31.7 million, or 2.4%, as compared with HK\$1,311.2 million as at 31 December 2019. Trade payable turnover days decreased from 70 days as at 31 December 2019 to 68 days as at 31 December 2020. It was mainly due to a shortage in supply of GPU for 2nd generation RTX VGA Cards which resulted in a lower balance of trade payables as at 31 December 2020.

Charges on Assets

As at 31 December 2020, bank deposit of HK\$0.5 million was pledged to banks to secure the corporate credit card granted to the Group.

Capital Expenditure

The Group's additions to property, plant and equipment in 2020 amounted to HK\$9.3 million.

Capital Commitments and Contingent Liabilities

As at 31 December 2020, total capital commitments amounted to HK\$0.3 million, and there was no material contingent liability or off balance sheet obligation.

Significant Acquisitions and Disposals of Investments

There was no acquisition or disposal of investment.

Future Plans for Material Investments or Capital Assets

The Group has no plan for material investment or acquisition of capital assets as at 31 December 2020, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 3,140 employees (2019: 2,997 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund, performance related bonuses may also be awarded to employees. The Company had adopted a Pre-IPO Share Option Scheme to recognize the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group. Subsequently, the Company has also adopted Share Option Scheme on 17 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company has complied with the code provisions of the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2020, the roles of chairman and chief executive officer of the Company were performed by Mr. WONG Shik Ho Tony. With Mr. WONG's extensive experience in the electronics industry, in addition to his role as chairman responsible for the overall strategic management and corporate development of the Group, he is also heavily involved and instrumental to the Group in running its daily business. The Board considers that vesting the roles of chairman and chief executive officer simultaneously in Mr. WONG is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management, who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of five Executive Directors, one Non-executive Director and three Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by Directors. All directors, after specific enquiries made by the Company, confirmed that they have complied with the required standards set out in the Model Code during the year.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management system of the Group as well as to provide advice and comments to the Board.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") www.hkex.com.hk and on the Company's website at www.pcpartner.com. The 2020 Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

By order of the Board
PC Partner Group Limited
WONG Shik Ho Tony
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Executive Directors of the Company are Mr. WONG Shik Ho Tony, Mr. WONG Fong Pak, Mr. LEUNG Wah Kan, Mr. HO Nai Nap and Mr. MAN Wai Hung, the Non-executive Director is Mrs. HO WONG Mary Mee-Tak (Mr. CHIU Wing Yui is Alternate Director to Mrs. HO WONG Mary Mee-Tak); and the Independent Non-executive Directors are Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung.

* *For identification purposes only*