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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 2021

FINANCIAL HIGHLIGHTS	Year ended 31 December		Change
	2021	2020	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	15,459.1	7,761.8	+99.2%
Gross Profit	4,287.2	795.4	+439.0%
Gross Profit%	27.7%	10.2%	+171.6%
Profit for the year attributable to owners of the Company	2,374.3	207.3	+1,045.3%
Net Profit%	15.4%	2.7%	+470.4%

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 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4, 5	15,459,055	7,761,758
Cost of sales		<u>(11,171,893)</u>	<u>(6,966,403)</u>
Gross profit		4,287,162	795,355
Other revenue and other gains and losses	6	123,966	94,804
Selling and distribution expenses		(185,831)	(132,928)
Administrative expenses		(816,658)	(497,586)
Impairment losses on financial assets		(321,712)	(1,782)
Finance costs	7	(20,215)	(30,193)
Share of (loss)/profit of a joint venture		<u>(136,588)</u>	<u>20,050</u>
Profit before income tax	8	2,930,124	247,720
Income tax	9	<u>(553,568)</u>	<u>(39,683)</u>
Profit for the year		<u>2,376,556</u>	<u>208,037</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		(4,001)	(2,868)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		(7,128)	3,245
Exchange differences on translating a joint venture		<u>2,446</u>	<u>10,770</u>
Total comprehensive income for the year		<u><u>2,367,873</u></u>	<u><u>219,184</u></u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to:			
— Owners of the Company		2,374,320	207,276
— Non-controlling interests		2,236	761
		<u>2,376,556</u>	<u>208,037</u>
Total comprehensive income for the year attributable to:			
— Owners of the Company		2,365,637	218,423
— Non-controlling interests		2,236	761
		<u>2,367,873</u>	<u>219,184</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	<i>11</i>		
— Basic		6.21	0.56
— Diluted		6.14	0.56
		<u>6.14</u>	<u>0.56</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		94,215	144,174
Right-of-use assets		114,182	136,459
Intangible assets		4,825	4,825
Other financial asset		3,517	7,518
Interest in a joint venture		40,513	174,655
Deferred tax assets		9,641	10,430
Trade and other receivables	<i>12</i>	2,705	205,137
Total non-current assets		269,598	683,198
Current assets			
Inventories	<i>13</i>	1,511,577	908,261
Trade and other receivables	<i>12</i>	1,307,096	1,218,270
Right of return assets		71,091	52,610
Derivative financial assets		—	452
Cash and bank balances		3,765,101	1,124,592
Total current assets		6,654,865	3,304,185
Total assets		6,924,463	3,987,383
Current liabilities			
Trade and other payables	<i>14</i>	2,130,342	1,484,058
Refund liabilities		96,445	62,759
Contract liabilities		209,564	76,150
Borrowings	<i>15</i>	702,337	1,070,038
Provision for product warranties		61,118	31,447
Lease liabilities		26,049	27,662
Current tax liabilities		513,042	17,208
Total current liabilities		3,738,897	2,769,322
Net current assets		2,915,968	534,863
Total assets less current liabilities		3,185,566	1,218,061

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total non-current liabilities			
Lease liabilities		<u>95,224</u>	<u>114,283</u>
NET ASSETS		<u>3,090,342</u>	<u>1,103,778</u>
Capital and reserves			
Share capital	<i>16</i>	38,738	37,209
Reserves		<u>3,048,678</u>	<u>1,065,879</u>
Equity attributable to owners of the Company		3,087,416	1,103,088
Non-controlling interests		<u>2,926</u>	<u>690</u>
TOTAL EQUITY		<u>3,090,342</u>	<u>1,103,778</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 Act (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 (“U.S.A.”).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs — effective on 1 January 2021

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2
- Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period, except the amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021. None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's consolidated 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 ³
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020 ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³

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

² 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.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ 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 directors of the Company do not anticipate that the application of the amendments and revision in the future will have a material impact on the Group's 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	
	2021 HK\$’000	2020 HK\$’000
Primary geographical markets		
Asia Pacific (“APAC”)	5,099,665	3,158,979
North and Latin America (“NALA”)	2,654,140	1,139,745
People’s Republic of China (“PRC”)	3,790,897	1,638,322
Europe, Middle East, Africa and India (“EMEAI”)	3,914,353	1,824,712
	<u>15,459,055</u>	<u>7,761,758</u>
Major products/services		
Video graphics cards (“VGA Cards”)	13,569,962	6,177,355
Electronics manufacturing services (“EMS”)	819,114	690,563
Other PC related products and components	1,069,979	893,840
	<u>15,459,055</u>	<u>7,761,758</u>
Brand and non-brand businesses		
Brand businesses	10,369,359	4,357,194
Non-brand businesses	5,089,696	3,404,564
	<u>15,459,055</u>	<u>7,761,758</u>
Timing of revenue recognition		
At a point in time	<u>15,459,055</u>	<u>7,761,758</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
APAC	5,099,665	3,158,979	14,688	23,049
NALA	2,654,140	1,139,745	23,203	23,479
PRC	3,790,897	1,638,322	218,173	618,515
EMEA	3,914,353	1,824,712	376	207
	<u>15,459,055</u>	<u>7,761,758</u>	<u>256,440</u>	<u>665,250</u>

(c) Information about the major customer

During the years ended 31 December 2021 and 2020, 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contract liabilities	<u>209,564</u>	<u>76,150</u>

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK\$59,945,000 of the contract liabilities as at 1 January 2021 and HK\$14,443,000 of the contract liabilities as at 1 January 2020 has been recognised as revenue for the year ended 31 December 2021 and 2020 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Government grants (<i>note (a)</i>)	4,774	10,805
Interest income	9,276	15,280
Net exchange (losses)/gains	(25,516)	40,485
Net fair value gains on derivative financial instruments	199	1,325
Gain on disposal of property, plant and equipment	78,704	141
Sundry income	18,798	8,718
Rental income	37,731	28,647
COVID-19-related rent concessions (<i>note (b)</i>)	—	1,752
Loss on modification of repayment terms of trade receivables	—	(12,349)
	<u>123,966</u>	<u>94,804</u>

Notes:

- (a) Included in 2021 government grants is HK\$3,046,000 obtained from Paycheck Protection Program launched by the U.S.A. Government supporting the payroll of the employees while included in 2020 government grants is HK\$9,003,000 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 of 2021 and 2020 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.
- (b) The Group has received rent concessions in the form of rent forgiveness from lessors as the Group was unable to operate for certain period of time in 2020. The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions received during the year ended 31 December 2020 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK\$1,752,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank advances and other borrowings	14,973	24,857
Interest on lease liabilities	5,242	5,336
	<u>20,215</u>	<u>30,193</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Inventories recognised as expense (<i>note (a)</i>)	11,171,893	6,966,403
Staff costs (<i>note (b)</i>)	822,837	448,059
Auditor's remuneration	1,932	1,671
Bad debts written off	39	2,180
Depreciation of property, plant and equipment	58,573	80,492
Depreciation of right-of-use assets	30,095	30,928
Impairment of intangible assets	—	1,530
Impairment losses on financial assets	321,712	1,782
Short-term lease expenses	3,477	322
Low-value assets leases expenses	22	22
Property, plant and equipment written off	10	15
Provision for product warranties and returns, net	47,374	30,452
Research and development expenditure (<i>note (c)</i>)	58,089	58,113

Notes:

- (a) Included in the figures disclosed above is write down of inventories to net realisable value of approximately HK\$34,691,000 (2020: HK\$59,201,000).
- (b) For the year end 31 December 2020, 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.
- (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 in the consolidated statement of comprehensive income represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax — Hong Kong		
— provision for the year	503,932	16,014
— over provision in respect of prior year	(316)	(91)
Current tax — PRC		
— provision for the year	14,390	1,922
— (over)/under provision in respect of prior year	(4,659)	4,755
Current tax — others		
— provision for the year	39,474	1,493
— (over)/under provision in respect of prior year	(2)	74
	<u>552,819</u>	<u>24,167</u>
Deferred tax		
— origination and reversal of temporary differences	<u>749</u>	<u>15,516</u>
Income tax expense	<u><u>553,568</u></u>	<u><u>39,683</u></u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (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 2021 and 2020, 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 2021 to 2023 and the applicable PRC enterprise income tax rate for the year is 15% (2020: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2020: 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 2021.

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

10. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
2020 Final dividend paid — HK\$0.22 per share (2020: 2019 Final dividend paid — HK\$Nil per share)	85,058	—
2021 Interim dividend paid — HK\$0.84 per share (2020: 2020 Interim dividend paid — HK\$Nil per share)	<u>325,209</u>	<u>—</u>
Dividends paid for the year	<u><u>410,267</u></u>	<u><u>—</u></u>

The directors of the Company proposed a final dividend of HK\$1.61 (2020: HK\$0.22) per share, totalling HK\$623,688,000 (2020: HK\$85,058,000) 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 2021 and 2020 is based on the following data:

Profit	2021 <i>HK\$'000</i>	2020 <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>2,374,320</u>	<u>207,276</u>
Number of shares	2021	2020
Weighted average number of ordinary shares for the purpose of basic earnings per share	382,364,939	372,093,668
Effect of dilutive potential ordinary shares: — share options	<u>4,242,584</u>	<u>138,282</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>386,607,523</u></u>	<u><u>372,231,950</u></u>

12. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables at amortised cost	1,553,726	1,375,207
Less: Accumulated impairment losses	<u>(338,123)</u>	<u>(9,924)</u>
Trade receivables at amortised cost, net	<u>1,215,603</u>	<u>1,365,283</u>
Trade receivables at fair value through profit or loss (note)	26,032	32,038
Other receivables	4,323	5,535
Deposits and prepayments	69,402	24,798
Less: Accumulated impairment losses	<u>(5,559)</u>	<u>(4,247)</u>
	<u>63,843</u>	<u>20,551</u>
	<u>1,309,801</u>	<u>1,423,407</u>
Less: Trade receivables — non-current portion	—	(201,027)
Rental deposits — non-current portion	<u>(2,705)</u>	<u>(4,110)</u>
	<u>(2,705)</u>	<u>(205,137)</u>
Trade and other receivables — current portion	<u>1,307,096</u>	<u>1,218,270</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	862,943	615,737
Over 1 month but within 3 months	345,072	271,856
Over 3 months but within 1 year	7,523	16,749
Over 1 year	<u>65</u>	<u>460,941</u>
	<u>1,215,603</u>	<u>1,365,283</u>

The credit period on sale of goods is 30 to 90 days (2020: 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	9,924	10,411
Impairment losses recognised/(reversed) during the year	320,410	(486)
Exchange difference	7,789	(1)
	<u>338,123</u>	<u>9,924</u>
At 31 December	<u>338,123</u>	<u>9,924</u>

Note:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables at fair value through profit or loss	<u>26,032</u>	<u>32,038</u>

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	12,037	6,122
Over 1 month but within 3 months	12,194	25,431
Over 3 months but within 1 year	1,801	485
	<u>26,032</u>	<u>32,038</u>

13. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	1,052,327	572,361
Work in progress	17,330	9,310
Finished goods	559,437	456,752
	<u>1,629,094</u>	<u>1,038,423</u>
Less: Provision for obsolete inventories	<u>(117,517)</u>	<u>(130,162)</u>
	<u>1,511,577</u>	<u>908,261</u>

14. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	1,602,678	1,279,516
Other payables and accruals	<u>527,664</u>	<u>204,542</u>
	<u><u>2,130,342</u></u>	<u><u>1,484,058</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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	938,263	688,034
Over 1 month but within 3 months	605,733	531,917
Over 3 months but within 1 year	52,419	53,746
Over 1 year	<u>6,263</u>	<u>5,819</u>
	<u><u>1,602,678</u></u>	<u><u>1,279,516</u></u>

15. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans — guaranteed	—	50,000
Bank loan — non-guaranteed	—	3,000
Import loans — guaranteed	<u>702,337</u>	<u>1,017,038</u>
	<u><u>702,337</u></u>	<u><u>1,070,038</u></u>

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

	2021			2020		
	Denominated in		Total	Denominated in		Total
	HK\$	US\$		HK\$	US\$	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Bank loans — guaranteed	—	—	—	50,000	—	50,000
Bank loan — non-guaranteed	—	—	—	—	3,000	3,000
Import loans — guaranteed	—	702,337	702,337	—	1,017,038	1,017,038
	—	702,337	702,337	50,000	1,020,038	1,070,038

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	702,337	1,069,371
Over 1 year but within 2 years	—	667
	702,337	1,070,038

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

	2021		2020	
	Number of shares	Amount <i>HK\$'000</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of year	372,093,668	37,209	372,093,668	37,209
Share options exercised	15,290,000	1,529	—	—
At end of year	387,383,668	38,738	372,093,668	37,209

17. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD AND EFFECT OF COVID-19

On 9 February 2022, PC Partner Properties Limited, an indirect wholly-owned subsidiary of the Company, entered into agreements with Good Sense Development Limited (“Vendor”) in relation to the purchase of the Property by PC Partner Properties Limited from the Vendor with purchase price of approximately HK\$387,859,000 with a priority option to purchase from the Vendor 10 car parking spaces in the development as designated by the Vendor at a price of not higher than HK\$1,500,000 each when the car parking spaces are open for sale upon full settlement of the purchase price in accordance with the Agreement and completion taking place. Besides, PC Partner Properties Limited will apply to the Vendor for a special cash rebate from the Vendor in the sum of approximately HK\$33,984,000 as determined after discussion between the Vendor and PC Partner Properties Limited, which may be given subject to the full settlement of the purchase price in accordance with the Agreement. Details and definitions of capitalised items are set out in the Company’s announcement dated 9 February 2022.

The outbreak of COVID-19 has expanded globally and the prevention and control measures to combat the disease have continued to be implemented by different countries. As at the date of this announcement, there was no material negative impact on the business of the Group due to the outbreak of COVID-19.

The directors of the Company will continue to closely monitor the development of COVID-19 and assess its impact on the financial position and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financially stable as at 31 December 2021 and experienced no material recovery problem because of the outbreak of COVID-19.

FINAL DIVIDEND

The Board recommends a final dividend of HK\$1.61 per share for the year ended 31 December 2021 to be paid on or before 15 July 2022 (Friday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 27 June 2022 (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 17 June 2022 (Friday).

AGM

The AGM of the Company will be held on 17 June 2022 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2021 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 14 June 2022 (Tuesday) to 17 June 2022 (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 13 June 2022 (Monday) for registration of the relevant transfer.
- (b) The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for the proposed final dividend is fixed on 27 June 2022 (Monday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 23 June 2022 (Thursday) to 27 June 2022 (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 share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 22 June 2022 (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 graphics processing unit (“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.

The Group provides EMS to globally recognised 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\$7,697.3 million, or 99.2%, from HK\$7,761.8 million in the 2020 to HK\$15,459.1 million in 2021. The change was mainly resulted from an increase in sales of VGA Cards by HK\$7,392.6 million as compared to last year. Besides the increase in sales of VGA Cards, both the EMS and the other PC related products and components segments have recorded an increase in revenue by HK\$128.5 million and HK\$176.2 million respectively as compared to last year.

VGA Cards business has recorded an increase of HK\$7,392.6 million, or 119.7%, from HK\$6,177.4 million in 2020 to HK\$13,570.0 million in 2021. Sales of own brand VGA Cards increased by HK\$5,739.8 million, or 136.8%, from HK\$4,195.2 million in 2020 to HK\$9,935.0 million in 2021. Demand of own brand VGA Cards remained very strong throughout the year, especially the demand of the RTX 3000 Series VGA Cards consistently far exceeded supply since the products were first launched in September 2020. RTX 3000 Series VGA Cards remained largely out of stock at major retailers, e-commerce stores and distributors for most of the time during the year. Average selling price (“ASP”) of own brand VGA Cards increased by approximately 91.4% from 2020 to 2021, it was mainly due to both price increases and a change of product mix shifted towards more expensive product lines.

ODM/OEM orders on VGA Cards increased by HK\$1,652.8 million, or 83.4%, from HK\$1,982.2 million in 2020 to HK\$3,635.0 million in 2021. Approximately HK\$786.7 million of the sales was contributed by Crypto Mining Processor cards (“CMP Cards”) to professional miners in 2021 under the ODM/OEM VGA Cards business segment. Shortage of supply on central processing unit (“CPU”), GPU and some of key components have disrupted PC production schedules of customers; therefore, sales volume of VGA Cards to the ODM/OEM customers declined by 7.6% in 2021 as compared to last year. Higher ASP of RTX 3000 Series VGA Cards together with material cost increase for ODM/OEM orders have jacked up the sales revenue which has compensated for the decline of sales volume in the ODM/OEM VGA Cards segment.

EMS business has recorded an increase of HK\$128.5 million, or 18.6%, from HK\$690.6 million in 2020 to HK\$819.1 million in 2021. The growth was mainly contributed by more orders of the ATM and POS systems as well as other consumer electronic products during the year. Other PC related products and components business increased by HK\$176.2 million, or 19.7%, from HK\$893.8 million in 2020 to HK\$1,070.0 million in 2021. It was mainly due to an increase on sales of computers which offset a decline of component trading activities as a result of supply shortage of components during the year.

Revenue of brand business sector increased by HK\$6,012.2 million, or 138.0%, from HK\$4,357.2 million in 2020 to HK\$10,369.4 million in 2021, it was mainly driven by a strong sales performance of own brand VGA Cards and a continuous demand of computer and gaming hardware during the year. The Group has also established e-commerce platforms in Japan, Korea and the U.S.A. under ZOTAC business, direct sales to consumers have reached HK\$345.4 million which represented 3.3% of total brand business revenue in 2021 and such direct sales revenue was HK\$70.7 million for last year.

The ODM/OEM business sector which includes component trade has recorded an increase in revenue of HK\$1,685.1 million, or 49.5%, from HK\$3,404.6 million in 2020 to HK\$5,089.7 million in 2021. It was mainly contributed by an increase in sales of ODM/OEM VGA Cards, more orders of EMS business, and an increase in sales of computers which offset a decline of component trading activities under other PC related products and components segment.

All geographical regions, the APAC, the EMEAI, the NALA and the PRC regions have demonstrated a strong sales performance with growth rates in the range of 61.4% to 132.9% in 2021 as compared to last year.

APAC Region

In the APAC region, revenue increased by HK\$1,940.7 million, or 61.4%, from HK\$3,159.0 million in 2020 to HK\$5,099.7 million in 2021. It was mainly driven by a strong demand of own brand VGA Cards together with more orders on ODM/OEM VGA Cards during the year. The region has benefited from sales volume increase and higher ASP on both own brand and ODM/OEM VGA Cards.

EMEI Region

In the EMEAI region, revenue amounted to HK\$3,914.4 million in 2021, representing an increase of HK\$2,089.7 million, or 114.5%, as compared to HK\$1,824.7 million in 2020. It was mainly driven by a strong sales growth of the own brand VGA Cards together with an increase in the sales of computers in the region. In addition, there were more orders on ATM and POS systems under EMS division in 2021 as compared to last year.

NALA Region

In the NALA region, revenue amounted to HK\$2,654.1 million in 2021, representing an increase of HK\$1,514.3 million, or 132.9%, as compared to HK\$1,139.8 million in 2020. The change was mainly resulted from strong sales of own brand VGA Cards with an increase in both the sales volume and the ASP during the year.

PRC Region

In the PRC region, revenue amounted to HK\$3,790.9 million in 2021, representing an increase of HK\$2,152.6 million, or 131.4%, as compared to HK\$1,638.3 million in 2020. Besides the strong sales performance of own brand VGA Cards in 2021, the Group has also fulfilled orders of the new CMP Cards which has contributed approximately HK\$659.4 million 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, ISO13485 and the code issued by Responsible Business Alliance (“RBA”).

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 the business success. The Group has established a long business partnership with 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 has lasted for more than two years and is still threatening human being. Even though millions of people had been fully vaccinated, it does not give a full protection to human being especially on different virus variants. The latest Omicron variant has demonstrated a higher transmissibility which has already spread out in many countries. The current vaccines may not be highly effective to prevent infection with the Omicron or other variant virus. Many countries and cities had lifted restriction on social distancing, mobility, travel and quarantine. Unfortunately, some governments had tightened the restrictions again as COVID-19 cases surged in their countries and cities. The virus continues to be a threat on 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 the U.S.A., 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 the U.S.A. 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 the United States technologies. It is a risk to the Group if the U.S.A. put a restriction on export of consumer grade technologies to Hong Kong.

VGA Card has experienced a large demand for cryptocurrency mining since the cryptocurrency prices have increased again by end of 2020. 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 they hold for cryptocurrency mining ended up with selling machines and equipment at a big discount in the market, so 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 a discount or at a loss in order to reduce the inventory risk. Although the Group remains focused on gaming business and not selling VGA Cards to cryptocurrency miners except the CMP Cards which are designed for cryptocurrency mining, the Group could not control its customers and distributors who might have sold products to the cryptocurrency miners either directly or indirectly. If the cryptocurrency prices crashed again in future, inventory risk may increase and the Group may be compelled to clear its on-hand inventories by selling products at a discount or at a loss again.

China has imposed new laws to ban all cryptocurrency trading and mining activities during the year which caused a drop in prices of cryptocurrencies although the prices rebounded afterwards. Change of government policies and compliance requirements on cryptocurrency may affect the prices of cryptocurrencies which may also cause an impact on the demand of computer hardware including VGA Cards. If there will be excessive second hand VGA Cards selling in the market at a big discount, the Group may have to sell its on-hand inventories at a discount or at a loss to reduce the inventory risk.

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 2021.

Outlook

Many countries have recently announced to lift travel and other COVID-19 related restrictions even though the infection rates are still high. The world still needs more time to recover from the crisis, logistic congestion and manpower shortage have not been resolved in some countries. Many parts and components are still facing shortages, there is not much improvement in logistic congestion and logistic cost does not seem coming down. Demand of VGA Cards is expected to remain strong and the supply of GPU does not seem to improve substantially, an imbalance of demand and supply may still for longer period of time. Potential launch of new generation of products shall drive a further growth of sales revenue later this year.

Metaverse is expected to be equipped with powerful hardware, sophisticated software and high speed network to deliver a satisfactory performance without latency. The future 3D virtual worlds cannot be running without high performance display hardware as a part of the core hardware architecture. Nvidia has also announced Omniverse platform for virtual collaboration and real-time accurate simulation which is expected to speed up the development of metaverse. Although it will take time to develop software and the necessary hardware to support metaverse, it is no doubt metaverse is a big wave of technological innovation which offers new opportunities for computer hardware industry.

The recent conflict between Russia and Ukraine may affect the global economy which is just recovering from the COVID-19 crisis. Western nations have imposed financial sanctions on Russia, the war causes a further interruption of the supply chain. Prices of crude oil, gas, metals and agricultural commodities have already gone up significantly which has put a further upward pressure on inflation. The impact to the business demand is uncertain at the moment, the Group keeps closely monitor the market situation and will take appropriate action to minimize risk from impacting our business.

The Group continues to ensure a safe working environment to protect our employees at all its locations worldwide.

Financial Review

Revenue

The Group's total revenue increased by HK\$7,697.3 million, or 99.2%, from HK\$7,761.8 million in 2020 to HK\$15,459.1 million in 2021. It was mainly contributed by a strong sales performance of VGA Cards with a higher sales volume and a substantial increase in ASP.

Revenue on VGA Cards increased by HK\$7,392.6 million, or 119.7%, from HK\$6,177.4 million in 2020 to HK\$13,570.0 million in 2021. Revenue on own brand VGA Cards increased by HK\$5,739.8 million, or 136.8%, from HK\$4,195.2 million in 2020 to HK\$9,935.0 million in 2021. The demand of the VGA Cards, especially the latest RTX 3000 Series VGA Cards, consistently far exceeded supply throughout 2021. The Group has also raised the prices on regular basis to compensate the continuous cost increment on components and logistics. In addition, product mix of brand VGA Cards was shifted towards more expensive product lines which has also induced a higher ASP in 2021. ASP has been increased substantially by approximately 91.4% in 2020 to 2021.

Revenue on ODM/OEM orders of VGA Cards increased by HK\$1,652.8 million, or 83.4%, from HK\$1,982.2 million in 2020 to HK\$3,635.0 million in 2021. Under the ODM/OEM VGA Cards segment, approximately HK\$786.7 million was the orders of CMP Cards sold to professional miners during the year and there was no CMP Cards being sold in last year since the CMP Cards were newly introduced by NVIDIA in this year. The revenue from the ordinary ODM/OEM orders of VGA Cards increased by HK\$866.1 million, or 43.7%, from HK\$1,982.2 million in 2020 to HK\$2,848.3 million in 2021. Sales volume of ODM/OEM VGA Cards dropped by 7.6% during the year, it was mainly due to a continuous shortage of supply on both CPU and GPU affected the PC production schedules of ODM/OEM customers and such production schedule delay caused a drop in sales volume. Due to a change of product mix towards more expensive VGA Cards and prices have been increased to compensate a rise in component costs, the ASP of original ODM/OEM customers has increased by approximately 55.4% in 2021 as compared to last year. The higher ASP fully compensated the decline of sales volume and resulted in an increase of revenue of HK\$866.1 million, or 43.7% in the ODM/OEM VGA Cards segment without taken into account the sales of CMP Cards during the year.

Revenue derived from the EMS business amounted to HK\$819.1 million in 2021, representing an increase of HK\$128.5 million, or 18.6%, as compared to HK\$690.6 million in 2020. The growth was mainly due to more orders on the ATM and POS systems as well as other consumer electronic products during the year.

Other PC related products and components business increased by HK\$176.2 million, or 19.7%, from HK\$893.8 million in 2020 to HK\$1,070.0 million in 2021. It was mainly due to an increase in sales of computers which offset a decline of component trading activities as a result of supply shortage of components during the year.

Gross Profit and Margin

The Group's gross profit in 2021 was HK\$4,287.2 million, representing an increase of HK\$3,491.8 million, or 439.0%, as compared with HK\$795.4 million in 2020. Gross profit margin reached 27.7% in 2021 as compared with 10.2% in 2020. A substantial increase in gross profit was mainly due to a strong sales performance of VGA Cards with price increase and a change of product mix towards more expensive product lines during the year. Total sales volume of VGA Cards which included both own brand and ODM/OEM VGA Cards increased by 11.5% and the ASP increased by 97.3% in 2021 as compared to last year.

Material cost as a percentage of sales decreased by 16.7% from 87.1% in 2020 to 70.4% in 2021. It was mainly due to price increase in most of the product lines especially the VGA Cards which has recorded a substantial increase in ASP during the year. The Group has spent more on conversion cost which consisted of direct labour and production overheads for a total of HK\$77.7 million, or 37.3%, from HK\$208.2 million in 2020 to HK\$285.9 million in 2021. A higher spending of conversion cost was associated with wages increase for factory labour and increase of production output during the year. Conversion costs as a percentage of sales reduced by 0.8% from 2.7% in 2020 to 1.9% in 2021, it was mainly due to a substantial increase in ASP that has driven down the conversion cost to sales as a ratio.

Other Revenue and Other Gains and Losses

Other revenue and other gains and losses increased by HK\$29.1 million, or 30.7%, from HK\$94.8 million in 2020 to HK\$123.9 million in 2021. The change was mainly resulted from an increase of a gain of disposal of property, plant and equipment for HK\$78.7 million which has been offset by the net exchange loss of HK\$25.5 million. Rental income on leasing machines and equipment increased by HK\$9.1 million from HK\$28.6 million in 2020 to HK\$37.7 million in 2021. Sundry income increased from HK\$8.7 million in 2020 to HK\$18.8 million in 2021 which was mainly due to shipping cost charged back to customers during the year. There was no loss on modification of repayment terms of trade receivables in 2021 and such loss was HK\$12.3 million in 2020. Government grants have decreased from HK\$10.8 million in 2020 to HK\$4.8 million in 2021. Majority of the government grants was associated with the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees in 2020 and such arrangement was no longer available in 2021. The remaining grants were mainly associated with a grant of HK\$3.0 million offered by the U.S.A. government supporting the payroll of the employees in 2021. The Group has also received COVID-19 related rent concessions of HK\$1.8 million in 2020 and there was no such arrangement in 2021.

Operating Expenses

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment loss on financial assets and finance costs, increased by HK\$681.9 million, or 102.9%, from HK\$662.5 million in 2020 to HK\$1,344.4 million in 2021. The change was mainly due to impairment loss of financial assets, additional provision of directors' profit sharing and staff bonus under administrative expenses as well as a higher spending on selling and distribution expenses.

Selling and distribution expenses increased by HK\$52.9 million, or 39.8%, from HK\$132.9 million in 2020 to HK\$185.8 million in 2021. Freight and transportation expenses under selling and distribution expenses increased by HK\$14.8 million, or 42.4%, from HK\$34.9 million in 2020 to HK\$49.7 million in 2021. It was mainly due to an increase in both air freight and sea shipment charges during the year as well as re-allocation of more goods for air shipment instead of sea shipment which has resulted in a higher spending of the freight and transportation expenses. COVID-19 has continued to cause decline in container capacity, tighter air and sea shipment capacity, ports congestion, and trucking and warehousing bottlenecks. In addition, provision of return mechanize, sales commission and marketing expenses together increased by HK\$32.3 million, or 63.1% from HK\$51.2 million in 2020 to HK\$83.5 million in 2021, and such an increment was in line with the sales growth in the year.

Administrative expenses were HK\$319.1 million higher than last year, which increased by 64.1% from HK\$497.6 million in 2020 to HK\$816.7 million in 2021. Staff costs included directors' remuneration under administrative expenses increased by HK\$328.2 million, or 94.5%, from HK\$347.2 million in 2020 to HK\$675.4 million in 2021. It was mainly associated with provision of staff performance bonus and directors' profit sharing. Other administrative expenses decreased by HK\$9.1 million, or 6.1%, from HK\$150.4 million in 2020 to HK\$141.3 million in 2021 which was mainly due to decrease in depreciation during the year.

The impairment losses on financial assets increased by HK\$319.9 million, or 17,772.2%, from HK\$1.8 million in 2020 to HK\$321.7 million in 2021. The Group has entered an installment payment scheme under a sales contract with a customer for sale of VGA Cards in 2019. However, the COVID-19 pandemic crisis has resulted in operation lockdown of the customer and caused a delay of payment. A revised repayment schedule was agreed by both parties with the last installment falling in September 2022. The customer has resumed regular repayment from October 2020 to June 2021 and the total collected amount of the receivable was HK\$298.6 million as at 31 December 2021. The crack down on cryptocurrency mining and trading in China in the middle of the year has forced the customer to cease operation and resulted in a repayment issue of the remaining installment receivable. The Group has reviewed the collectability of the debts. It is uncertain when the customer will be able to repay the remaining balance according to the installment payment scheme; therefore, the Group has decided to make a full impairment of the remaining installment receivable of HK\$315.6 million in 2021.

Finance costs decreased by HK\$10.0 million, or 33.1%, from HK\$30.2 million in 2020 to HK\$20.2 million in 2021. The decrease was mainly resulted from lower bank borrowing throughout 2021 as compared to last year.

Share of loss of a joint venture increased by HK\$156.6 million, or 783.0%, from share of profit of HK\$20.0 million in 2020 to share of loss of HK\$136.6 million in 2021. The change was due to the joint venture ceased operation in July 2021 and recognition of an impairment on the carrying value of the underlying assets of the joint venture.

Profit attributable to Owners of the Company

The Group recorded a profit attributable to owners of the Company of HK\$2,374.3 million in 2021 as compared with the profit attributable to owners of the Company of HK\$207.3 million in 2020. The increase was mainly due to a strong sales performance which contributed a much higher profit level in 2021.

Income tax expenses of HK\$553.6 million were recorded in 2021 which increased by HK\$513.9 million from HK\$39.7 million in 2020. The change was mainly resulted from a substantial increase in profit before income tax during the year.

Earnings per share and Dividends

The profit attributable to owners of the Company in 2021 was HK\$2,374.3 million which resulted in a basic earnings of HK\$6.21 per share and a diluted earnings of HK\$6.14 per share. Profit attributable to owners of the Company in 2020 was HK\$207.3 million with basic and diluted earnings of HK56 cents per share in 2020. The Board of Directors proposed a final dividend of HK\$1.61 per share for the year ended 31 December 2021 and it is estimated to be HK\$623.7 million in total.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds increased by HK\$1,984.3 million, or 179.9%, from HK\$1,103.1 million as at 31 December 2020 to HK\$3,087.4 million as at 31 December 2021.

Financial Position

Total non-current assets decreased by HK\$413.6 million, or 60.5%, from HK\$683.2 million as at 31 December 2020 to HK\$269.6 million as at 31 December 2021. The change was mainly due to a decrease in trade and other receivables, interest in a joint venture, other financial asset, net book value of property, plant and equipment and the right-of-use assets.

Trade and other receivables under non-current assets decreased by HK\$202.4 million, or 98.7%, from HK\$205.1 million as at 31 December 2020 to HK\$2.7 million as at 31 December 2021. The change was mainly associated with an impairment loss on a trade receivable. The Group has reviewed the collectability of the debts. It is uncertain when the customer will be able to resume the payment of the remaining balance according to the installment payment scheme; therefore, the Group has decided to make a full impairment of the remaining balance of the installment receivable of HK\$315.6 million in the 2021 which included the carrying balances under current trade receivables as at 31 December 2021.

The carrying value of the interest in a joint venture decreased from HK\$174.7 million as at 31 December 2020 to HK\$40.5 million as at 31 December 2021. It was mainly due to the joint venture ceased operation in July 2021 and recognition of an impairment on the carrying value of the underlying assets of the joint venture in 2021. The joint venture company which provided leasing service of systems in China had suspended service contracts with customers in July 2021 since customers had misused the systems for cryptocurrency mining instead of cloud computing applications as stated in the service contracts. Cryptocurrency mining were prohibited under the new laws in China during the year and the local government has imposed strict restriction which requires new service contract with customer to be first approved by local government. There was no new service contract being approved since the operation was suspended in July 2021. It is uncertain when the joint venture company will be able to engage new business and resume a full scale operation which required government approval. Besides the operational restriction being imposed by local government, China's economic downtrend pressure is rising so that the return of the investment is very uncertain. In view of the uncertainty over the possibility of the resumption of business of the joint venture company and its ability of generating revenue in future, the impairment of the carrying value of the underlying assets of the joint venture company has been made.

Other financial asset decreased by HK\$4.0 million from HK\$7.5 million as at 31 December 2020 to HK\$3.5 million as at 31 December 2021. It was mainly due to change in fair value of the equity investment.

Net book value of property, plant and equipment decreased by HK\$50.0 million, or 34.7%, from HK\$144.2 million as at 31 December 2020 to HK\$94.2 million as at 31 December 2021. The Group has sold all machinery leased out under operating leases to customers during the year and the book value of such asset category was HK\$86.9 million as at 31 December 2020. The Group has frozen capital expenditure and has minimized spending on capital expenditure during COVID-19 pandemic outbreak in 2020 and has resumed capital expenditure for HK\$56.1 million to enhance production efficiency and automation in 2021.

The right-of-use assets decreased by HK\$22.3 million, or 16.3%, from HK\$136.5 million as at 31 December 2020 to HK\$114.2 million as at 31 December 2021. The change was mainly due to the depreciation of right-of-use assets associated with lease contracts on land and buildings. Deferred tax assets decreased by HK\$0.7 million from HK\$10.4 million as at 31 December 2020 to HK\$9.7 million as at 31 December 2021, 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\$6,654.8 million as at 31 December 2021 and HK\$3,304.2 million as at 31 December 2020. The Group's total current liabilities amounted to HK\$3,738.9 million as at 31 December 2021 and HK\$2,769.3 million as at 31 December 2020. The Group's current ratio, defined as total current assets over total current liabilities, increased from 1.2 as at 31 December 2020 to 1.8 as at 31 December 2021.

The Group's cash and bank balances increased from HK\$1,124.6 million as at 31 December 2020 to HK\$3,765.1 million as at 31 December 2021 which was contributed by a strong sales growth in the year. Borrowings reduced from HK\$1,070.0 million as at 31 December 2020 to HK\$702.3 million as at 31 December 2021, it was mainly due to a strong cash inflow which allowed the Group to reduce the borrowings in 2021. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounting to HK\$26.1 million and non-current lease liabilities amounting to HK\$95.2 million as at 31 December 2021. The Group's net debts to equity ratio (being debts minus cash and cash equivalents divided by total equity) was 8.0% as at 31 December 2020 and has turned into a net cash to equity ratio (being cash and cash equivalents minus debts divided by total equity) of 95.2% as at 31 December 2021. The change was mainly due to a strong cash inflow which was resulted from a substantial increase in sales revenue for the year.

Trade and other receivables under current assets consisting of both trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment increased by HK\$88.8 million, or 7.3%, from HK\$1,218.3 million as at 31 December 2020 to HK\$1,307.1 million as at 31 December 2021. Trade receivables at amortised cost decreased by HK\$149.7 million, or 11.0%, from HK\$1,365.3 million as at 31 December 2020 to HK\$1,215.6 million as at 31 December 2021. The change was mainly due to an impairment loss of an installment receivable of HK\$315.6 million which was reported under current trade receivables as at 31 December 2021. Trade receivables at fair value through profit or loss in factoring arrangement decreased by HK\$6.0 million, or 18.8%, from HK\$32.0 million as at 31 December 2020 to HK\$26.0 million as at 31 December 2021. Other receivables, deposits and prepayment under current assets increased by HK\$43.5 million, or 197.7%, from HK\$22.0 million as at 31 December 2020 to HK\$65.5 million as at 31 December 2021. It was mainly associated with deposit paid to a supplier of HK\$39.0 million.

Trade and other payables increased by HK\$646.3 million, or 43.5%, from HK\$1,484.1 million as at 31 December 2020 to HK\$2,130.4 million as at 31 December 2021. Trade payables increased by HK\$323.2 million, or 25.3%, from HK\$1,279.5 million as at 31 December 2020 to HK\$1,602.7 million as at 31 December 2021. It was mainly associated with an increase in inventory intake before end of the year in order to get prepare for more production before the Chinese Lunar New Year holidays which has resulted in a higher trade payable balance as at 31 December 2021. Other payables increased by HK\$323.1 million, or 157.9%, from HK\$204.6 million as at 31 December 2020 to HK\$527.7 million as at 31 December 2021. The change was mainly associated with provision on staff performance bonus and directors' profit sharing for the year. Payables of fixed assets acquisition and other accrued expenses also contributed to the increase of other payables as at 31 December 2021.

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\$18.5 million, or 35.2%, from HK\$52.6 million as at 31 December 2020 to HK\$71.1 million as at 31 December 2021. Refund liabilities increased by HK\$33.6 million, or 53.5%, from HK\$62.8 million as at 31 December 2020 to HK\$96.4 million as at 31 December 2021. The change was mainly due to a higher sales level which resulted in a higher level of provision of sales return under refund liabilities and the costs of return reported under the right of return assets on the consolidated financial statements.

Contract liabilities has substantially increased by HK\$133.4 million, or 175.1%, from HK\$76.2 million as at 31 December 2020 to HK\$209.6 million as at 31 December 2021. The change was mainly due to customer prepayment to secure purchase of VGA Cards in the year ended 31 December 2021. Provision for product warranties increased by HK\$29.7 million, or 94.6%, from HK\$31.4 million as at 31 December 2020 to HK\$61.1 million as at 31 December 2021. The change was mainly associated with sales increase in own brand VGA Cards which resulted in a higher projection of provision on product warranties. Current tax liabilities increased from HK\$17.2 million as at 31 December 2020 to HK\$513.0 million as at 31 December 2021. The change was mainly due to a substantial increase in profit before income tax of most operating entities which has resulted in a higher current tax liabilities of the Group.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2021, 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 2020 and one contract in 2021.

Working Capital

Inventories of the Group as at 31 December 2021 were HK\$1,511.5 million which increased by HK\$603.2 million, or 66.4%, as compared with HK\$908.3 million as at 31 December 2020. Inventory turnover days decreased from 53 days as at 31 December 2020 to 40 days as at 31 December 2021. The Group benefited from a strong demand of VGA Cards as the demand far exceeded supply consistently so that the relevant finished goods were turning faster during the year. The ratio of finished goods to overall inventories decreased by 44.0% as at 31 December 2020 to 34.3% as at 31 December 2021.

Trade receivables as at 31 December 2021 were HK\$1,241.6 million, which decreased by HK\$155.7 million, or 11.1%, as compared with HK\$1,397.3 million as at 31 December 2020. Trade receivable turnover days decreased from 65 days as at 31 December 2020 to 31 days as at 31 December 2021. The change of trade receivable turnover days was mainly due to a strong demand on VGA Cards that facilitated a faster payment from customers together with an impairment loss of a trade receivable under an installment payment scheme as at 31 December 2021.

Trade payables as at 31 December 2021 were HK\$1,602.7 million, which increased by HK\$323.2 million, or 25.3%, as compared with HK\$1,279.5 million as at 31 December 2020. Trade payable turnover days decreased from 68 days as at 31 December 2020 to 47 days as at 31 December 2021. The Group has speeded up payment to some of the suppliers in order to secure allocation of some components and materials under a shortage of supply. Such an action has driven down the payable turnover days as at 31 December 2021.

Charges on Assets

As at 31 December 2021, bank deposits of HK\$0.3 million were pledged to a bank to secure the corporate credit card granted to the Group.

Capital Management

The capital structure of the Group consists of debts, which includes borrowings and lease liabilities and equity of the Group, comprising share capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, 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.

Capital Expenditure

The Group's additions to property, plant and equipment in 2021 amounted to HK\$56.1 million.

Capital Commitments and Contingent Liabilities

As at 31 December 2021, total capital commitments amounted to HK\$10.1 million, and there was no material contingent liability or off balance sheet obligation.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year.

Future Plans for Material Investments or Capital Assets

On 9 February 2022, PC Partner Properties Limited, the Company's indirect wholly-owned subsidiary, entered into agreements with the Vendor for an acquisition of property at 28th Floor, 888 Lai Chi Kok Road ("Development"), Kowloon, Hong Kong at approximately HK\$387.9 million and for a priority option to purchase 10 car parking spaces of the Development at a price of not higher than HK\$1.5 million each for the Group to relocate its head office and for a right to receive a special cash rebate of approximately HK\$34.0 million paid by the Vendor ("Acquisition"). Details of the Acquisition are provided in the Company's announcement dated 9 February 2022. The Company will actively pursue other investment opportunities to enhance its profitability in the ordinary course of business.

The Group has no plan for material investment or acquisition of capital assets as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 3,029 employees (2020: 3,140 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 recognise 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 2016 Share Option Scheme on 17 June 2016. In addition and supplemental to the information relating to the 2016 Share Option Scheme disclosed in the Company's annual report for the year ended 31 December 2020 and the Company's announcement dated 4 August 2021, pursuant to the rules of the 2016 Share Option Scheme, a grantee of an option must take up the underlying shares of the option within such period as the Board may in its absolute discretion determine, which in any event shall not be more than ten (10) years from 17 June 2016, being the effective date of the 2016 Share Option Scheme, otherwise the option will lapse automatically.

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 2021, the Company has complied with the code provisions set out in the Corporate Governance Code (the “Code”) as contained in Appendix 14 (as in force as at 31 December 2021) 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 provisions A.2.1 and C.2.5 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 2021, 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.

Under code provision C.2.5 of the Code, the Company should have an internal audit function. During the year ended 31 December 2021, the Company did not have an internal audit function but appointed an audit firm to carry out a review of the Company’s risk management and internal control systems. The audit firm reported directly to and held regular meetings with the Audit Committee. It reported its findings and provided recommendations to the Company after conducting review of enterprise risk and internal control assessment of the Group. The Board believes that engaging such an external professional body to perform the above review on an annual basis can provide an independent unbiased opinion and enhance the risk management and internal control of the Group.

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 consolidated financial statements of the Group for the year ended 31 December 2021.

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 2021 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 2021 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, 25 March 2022

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