PC PARTNER GROUP LIMITED

栢能集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2011	2010	Change
	HK$'000	*HK$'000*	
Turnover	**5,969,166**	5,585,382	+7%
Profit before listing expenses and dividend income	**91,945**	85,709	+7%
— Listing expenses	**(19,266)**	—	
— Dividend income	—	31,659	
Profit for the year	**72,679**	117,368	-38%
Profit attributable to owners of the Company	**70,213**	110,295	-36%
Earnings per share Basic and diluted	**HK$0.21**	HK$0.33	-36%

The board of directors (the "Board") of PC Partner Group Limited (the "Company") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	4,5	**5,969,166**	5,585,382
Cost of sales		**(5,491,587)**	(5,124,759)
Gross profit		**477,579**	460,623
Other revenue and other gains and losses	6	**4,012**	38,007
Selling and distribution expenses		**(100,347)**	(104,192)
Administrative expenses		**(268,999)**	(249,562)
Listing expenses		**(19,266)**	—
Finance costs	7	**(11,077)**	(11,770)
Profit before income tax	8	**81,902**	133,106
Income tax expense	9	**(9,223)**	(15,738)
Profit for the year		**72,679**	117,368
Other comprehensive income, after tax			
Exchange differences on translating foreign operations		**(67)**	37
Total comprehensive income for the year		**72,612**	117,405
Profit attributable to:			
— Owners of the Company		**70,213**	110,295
— Non-controlling interests		**2,466**	7,073
		72,679	117,368
Total comprehensive income attributable to:			
— Owners of the Company		**70,154**	110,332
— Non-controlling interests		**2,458**	7,073
		72,612	117,405
Earnings per share	12		
— Basic		**0.21**	0.33
— Diluted		**0.21**	0.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	13	**97,259**	93,506
Intangible assets	14	**8,356**	10,084
Other financial assets		**20,992**	20,992
Deferred tax assets		**1,859**	1,284
Total non-current assets		**128,466**	125,866
Current assets			
Inventories	16	**799,495**	943,858
Trade and other receivables	15	**890,104**	941,949
Amount due from a shareholder		**3,800**	—
Derivative financial assets		**559**	412
Current tax recoverable		**1,549**	2,315
Pledged time deposits		**7,129**	7,142
Cash and cash equivalents	17	**717,396**	685,240
Total current assets		**2,420,032**	2,580,916
Total assets		**2,548,498**	2,706,782
Current liabilities			
Trade and other payables	18	**1,146,220**	1,182,721
Borrowings	19	**813,637**	934,891
Provisions		**7,894**	11,216
Obligations under finance leases		**17**	14
Derivative financial liabilities		**54**	162
Current tax liabilities		**3,537**	7,395
Total current liabilities		**1,971,359**	2,136,399
Net current assets		**448,673**	444,517
Total assets less current liabilities		**577,139**	570,383
Non-current liabilities			
Obligations under finance leases		**58**	3
NET ASSETS		**577,081**	570,380
Capital and reserves attributable to owners of the Company			
Share capital	20	**33,052**	30,318
Reserves		**544,029**	518,015
Equity attributable to owners of the Company		**577,081**	548,333
Non-controlling interests		**—**	22,047
TOTAL EQUITY		**577,081**	570,380

Notes:

1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

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

Pursuant to the Reorganisation ("Reorganisation") as detailed in the subsection headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 29 December 2011 (the "Prospectus"), in preparation for the listing (the "Listing") of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and for the purpose of rationalising the Group's structure, the Company became the holding company of the subsidiaries now comprising the Group on 21 December 2011. As the Reorganisation only involved inserting a new holding entity at the top of an existing group and has not resulted in any change of economic substances, the consolidated financial statements of the Group for the years ended 31 December 2010 and 2011 have been presented as a continuation of the existing group based on merger accounting principle.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted all of new and revised standards, amendments and interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the accounting periods beginning on or after 1 January 2011 in the preparation of consolidated financial statements throughout the year. Except as explained below, the adoption of these new and revised HKFRSs did not result in material changes to the Group's accounting policies.

HKFRS 3 (Amendments) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements.

The HKICPA has also issued the following new and revised HKFRSs that are not yet effective, potentially relevant to the Group but have not been early adopted in preparation of the consolidated financial statements.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (Revised 2011)	Employee Benefits[3]
HKAS 27 (Revised 2011)	Separate Financial Statements[3]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurements[3]

Notes:

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 July 2012
[3] Effective for annual periods beginning on or after 1 January 2013
[4] Effective for annual periods beginning on or after 1 January 2014
[5] Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the potential impact of the new/revised HKFRSs and the directors so far concluded that the application of the new/revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The 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 "HKFRSs") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

4. SEGMENT REPORTING

(a) Reportable segments

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

(b) Geographical information

(i) Turnover

An analysis by the Group's turnover by geographical location is as follows:

	2011	2010
	HK$'000	*HK$'000*
Asia Pacific ("APAC")	**2,417,745**	2,660,392
North and Latin America ("NALA")	**586,763**	516,419
People's Republic of China ("PRC")	**963,071**	866,523
Europe, Middle East and Africa ("EMEAI")	**2,001,587**	1,542,048
	5,969,166	5,585,382

(ii) Specified non-current assets

An analysis of the Group's non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets") is as follows:

	2011	2010
	HK$'000	*HK$'000*
APAC	**10,735**	13,203
NALA	**—**	538
PRC	**94,880**	89,849
	105,615	103,590

(c) Revenue from major products and services

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

	2011	2010
	HK$'000	*HK$'000*
Video graphics cards	**3,859,105**	4,339,639
Electronics manufacturing services	**1,437,382**	753,944
Other PC related products and components	**672,679**	491,799
	5,969,166	5,585,382

(d) Information about major customers

Revenues from customers of the corresponding periods contributing 10% or more of the Group's revenue are HK$863,655,000 (2010: Nil).

5. TURNOVER

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

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Interest income	**537**	172
Dividend income from unlisted available-for-sale investments	**—**	31,659
Gain on disposal of property, plant and equipment	**7**	—
Net exchange losses	**(7,398)**	(935)
Net fair value gains on derivative financial instruments	**255**	231
Waiver of long outstanding trade payables	**—**	1,502
Income received from derivative financial instrument	**1,347**	938
Sundry income	**9,264**	4,440
	4,012	38,007

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on bank advances and other borrowings wholly repayable within five years	**11,077**	11,770

8. PROFIT BEFORE INCOME TAX

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

	2011	2010
	HK$'000	*HK$'000*
Inventories recognised as expense	**5,484,445**	5,122,971
Provision for obsolete inventories	**7,142**	1,788
Cost of sales	**5,491,587**	5,124,759
Staff costs	**332,487**	275,939
Auditor's remuneration	**1,485**	461
Depreciation of property, plant and equipment	**39,960**	44,266
Amortisation of intangible assets	**1,728**	1,728
Provision/(reversal of provision) for impairment losses on trade and other receivables	**471**	(79)
Operating lease payments on premises	**27,527**	25,992
Property, plant and equipment written off	**21**	8
Provision for product warranties and returns	**12,570**	1,476

9. INCOME TAX EXPENSE

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

	2011	2010
	HK$'000	*HK$'000*
Current tax — Hong Kong profits tax		
— provision for the year	**6,556**	17,374
— (over)/under provision in respect of prior year	**(46)**	748
Current tax — PRC		
— provision for the year	**3,169**	597
Current tax — United States of America and Korea		
— provision for the year	**117**	830
— under provision in respect of prior year	**2**	—
	9,798	19,549
Deferred tax		
— origination and reversal of temporary differences	**(575)**	(3,811)
Income tax expense	**9,223**	15,738

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

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

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year ended 31 December 2011.

Provision for PRC enterprise income tax is based on a statutory rate of 25% (2010: 25%) of the assessable profits of the Group's PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2011.

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

(b) The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Profit before income tax	**81,902**	133,106
Tax on profit before income tax, calculated at Hong Kong profits tax rate	**13,514**	21,963
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,738)**	(2,136)
Effect of tax exemption granted to a subsidiary	**(5,609)**	(4,267)
Tax effect of non-taxable net income relating to offshore operation	**(4,503)**	(10,471)
Tax effect of expenses not deductible for tax purposes	**3,887**	6,143
Tax effect of revenue not taxable for tax purposes	**2,214**	(4,753)
Tax effect of tax losses and deductible temporary differences not recognised	**5,374**	8,475
Utilisation of tax losses previously not recognised	**(2,921)**	(83)
(Over)/under provision in prior year	**(44)**	748
Tax rebate	**(72)**	—
Others	**121**	119
Income tax expense	**9,223**	15,738

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of approximately HK$20,103,000, which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

Dividend paid and payable by the Company's subsidiary to the then shareholders prior to the Reorganisation as disclosed in the consolidated statement of changes in equity were as follows:

	2011	2010
	HK$'000	*HK$'000*
Interim dividend in respect of the previous financial year declared	**66,504**	31,296

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of the annual financial statements.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2011 and 2010 is based on the profit attributable to the owners of the Company and the weighted average of shares in issue during the year, calculated as follows:

Earnings	**2011**	2010
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**70,213**	110,295

Number of shares	**2011**	2010
Issue of shares on incorporation of the Company	**3**	3
Issue of shares *(note 20(b))*	**330,518,665**	330,518,665
Number of shares in issue before the listing of the Company's shares on the Stock Exchange on 12 January 2012	**330,518,668**	330,518,668
Effect of dilutive potential ordinary shares:		
— share options	**138,039**	—
Number of shares for the purpose of diluted earnings per share	**330,656,707**	330,518,668

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve-ments	Plant and machinery	Office and testing equipment	Furniture and fixtures	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:								
At 1 January 2010	1,196	40,066	277,662	39,661	931	2,376	783	362,675
Additions	—	2,474	33,606	7,994	311	489	—	44,874
Disposals/written off	—	—	(38)	(308)	—	—	—	(346)
Exchange adjustments	—	—	—	(3)	—	—	—	(3)
At 31 December 2010 and 1 January 2011	1,196	42,540	311,230	47,344	1,242	2,865	783	407,200
Additions	—	3,537	36,484	4,179	10	64	—	44,274
Disposals/written off	—	(126)	(205)	(264)	(71)	—	—	(666)
Disposal of a subsidiary	—	—	(264)	(472)	(110)	(53)	—	(899)
Exchange adjustments	—	(2)	—	(2)	—	(1)	—	(5)
At 31 December 2011	1,196	45,949	347,245	50,785	1,071	2,875	783	449,904
Accumulated depreciation:								
At 1 January 2010	171	19,628	215,055	32,349	683	1,098	783	269,767
Depreciation	24	6,661	29,014	7,721	178	668	—	44,266
Written back on disposal/ written off	—	—	(38)	(300)	—	—	—	(338)
Exchange adjustments	—	—	—	(1)	—	—	—	(1)
At 31 December 2010 and 1 January 2011	195	26,289	244,031	39,769	861	1,766	783	313,694
Depreciation	24	6,729	26,503	5,924	142	638	—	39,960
Written back on disposal/written off	—	(126)	(194)	(260)	(65)	—	—	(645)
Disposal of a subsidiary	—	—	(99)	(226)	(23)	(13)	—	(361)
Exchange adjustments	—	(1)	—	(1)	—	(1)	—	(3)
At 31 December 2011	219	32,891	270,241	45,206	915	2,390	783	352,645
Net book value:								
At 31 December 2011	977	13,058	77,004	5,579	156	485	—	97,259
At 31 December 2010	1,001	16,251	67,199	7,575	381	1,099	—	93,506

The Group's leasehold land is held in Hong Kong on medium-term lease.

14. INTANGIBLE ASSETS

	Brand name *HK$'000*	Non-contractual customer lists and relationship *HK$'000*	Total *HK$'000*
Cost:			
At 31 December 2010, 1 January 2011 and 31 December 2011	6,196	8,640	14,836
Accumulated amortisation:			
At 1 January 2010	—	3,024	3,024
Amortisation for the year	—	1,728	1,728
At 31 December 2010 and 1 January 2011	—	4,752	4,752
Amortisation for the year	—	1,728	1,728
At 31 December 2011	—	6,480	6,480
Carrying amount:			
At 31 December 2011	6,196	2,160	8,356
At 31 December 2010	6,196	3,888	10,084

The brand name acquired through acquisition of businesses is considered by management of the Group as having indefinite useful life as there was no limit to the period the brand name would contribute to net cash inflows.

Non-contractual customer lists and relationship acquired through acquisition of businesses is amortised over their useful lives of 5 years. The amortisation expense has been included in administrative expenses in the consolidated statement of comprehensive income.

15. TRADE AND OTHER RECEIVABLES

	2011 ***HK$'000***	2010 *HK$'000*
Trade receivables	**858,169**	912,467
Less: Accumulated impairment losses	**(8,805)**	(8,345)
	849,364	904,122
Other receivables	**20,231**	13,771
Deposits and prepayments	**20,509**	22,714
Amounts due from non-controlling interests	**—**	1,342
	890,104	941,949

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

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**514,133**	606,499
Over 1 month but within 3 months	**296,168**	246,152
Over 3 months but within 1 year	**33,097**	48,979
Over 1 year	**5,966**	2,492
	849,364	904,122

The average credit period on sales of goods is 30 to 60 days from the invoice date.

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

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**197,076**	149,057
Over 1 month but within 3 months	**35,291**	48,032
Over 3 months but within 1 year	**22,055**	20,437
Over 1 year	**5,966**	1,545
	260,388	219,071

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

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

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

	2011	2010
	HK$'000	*HK$'000*
At beginning of year	**8,345**	11,915
Provision/(reversal) of impairment loss recognised	**471**	(79)
Uncollectible amounts written off	**—**	(3,491)
Exchange difference	**(11)**	—
At end of year	**8,805**	8,345

16. INVENTORIES

	2011	2010
	HK$'000	*HK$'000*
Raw materials	**446,297**	584,263
Work-in-progress	**27,540**	18,363
Finished goods	**347,636**	368,627
	821,473	971,253
Less: Provision for obsolete inventories	**(21,978)**	(27,395)
	799,495	943,858

17. CASH AND CASH EQUIVALENTS

	2011	2010
	HK$'000	*HK$'000*
Cash at banks and in hand	**717,396**	685,240

The currency analysis of cash and cash equivalents are shown as follows:

	2011	2010
	HK$'000	*HK$'000*
Renminbi	**24,756**	4,364
Japanese Yen	**2,517**	80
Taiwan dollars	**565**	764
United States dollars	**596,535**	559,387
Hong Kong dollars	**71,013**	111,950
Others	**22,010**	8,695
	717,396	685,240

18. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**939,093**	1,026,663
Other payables and accruals	**175,831**	156,058
Dividend payables *(note)*	**31,296**	—
	1,146,220	1,182,721

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

The ageing analysis of trade payables as of the end of reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 1 month	**422,841**	348,173
Over 1 month but within 3 months	**401,415**	524,389
Over 3 months but within 1 year	**113,617**	153,873
Over 1 year	**1,220**	228
	939,093	1,026,663

Note:

The board of directors of PC Partner Holdings Limited, a directly-held subsidiary of the Company, declared an interim dividend of HK$66,504,000 to the owners of the Company prior to the Reorganisation. Out of which, HK$15,648,000 and HK$19,560,000 were paid on 1 August 2011 and 30 December 2011 respectively.

19. BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Import loans — secured	**718,524**	811,047
Bank loans — secured	**82,422**	117,898
Discounted bills and factoring loans	**12,691**	5,946
	813,637	934,891

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

	2011	2010
	HK$'000	*HK$'000*
On demand or within one year	**765,224**	881,469
Due after one year		
More than one year, but not exceeding two years	**24,244**	47,760
More than two years, but not exceeding five years	**24,169**	5,662
	48,413	53,422
	813,637	934,891

(i) The above borrowings bear interest at effective interest rates ranging from 1.34% (2010: 1.32%) per annum to 1.59% (2010: 1.58%) per annum for the year.

(ii) The Group's banking facilities are secured by (a) bank deposits of HK$7,129,000 (2010: HK$7,142,000) and (b) unlimited joint and several guarantee from the directors, Mr Wong Shik Ho, Tony, Mr Leung Wah Kan and Mr Wong Fong Pak, for the year ended 31 December 2010. There is no any guarantee from the directors for the year ended 31 December 2011.

(iii) The discounted bills are secured by the Group's trade receivables in the same amount.

(iv) 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.

20. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised capital:		
1,000,000,000 shares of HK$0.1 each	1,000,000,000	100,000
Issued capital:		
On incorporation *(note a)*	3	—
Shares issued pursuant to the Reorganisation *(note b)*	330,518,665	33,052
	330,518,668	33,052

(a) The Company was incorporated in the Cayman Islands on 1 April 2010, with an authorised share capital of HK$100,000,000 divided into 1,000,000,000 ordinary shares of HK$0.1 each.

On the incorporation of the Company, one subscriber's share was transferred to Mr Leung Wah Kan. On the same date, Mr Wong Fong Pak and Mr Wong Shik Ho, Tony were each allotted with one share.

(b) Pursuant to the Reorganisation, the Company allotted and issued in aggregate 330,518,665 shares to the shareholders of PC Partner Holdings Limited on 21 December 2011 credited as fully paid in such proportion as shall mirror their then shareholding proportion in PC Partner Holdings Limited's shares such that the shareholding structure of PC Partner Holdings Limited is replicated at the Company level.

(c) The share capital presented in the consolidated statement of financial position as at 31 December 2010 represents the nominal value of the share capital of PC Partner Holdings Limited.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.08 per share for the year ended 31 December 2011 be paid on or about 15 June 2012 to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 6 June 2012 (Wednesday). 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 1 June 2012 (Friday).

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 1 June 2012 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2011 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 29 May 2012 (Tuesday) to 1 June 2012 (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 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 28 May 2012 (Monday) for registration of the relevant transfer.

(b) The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for the proposed final dividend is at the close of business on 6 June 2012 (Wednesday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 7 June 2012 (Thursday) to 11 June 2012 (Monday) (both days inclusive), during which time no transfer of shares will be registered. In order to qualify for the proposed final dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's 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 6 June 2012 (Wednesday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Recent economic developments in the US and European Union are a cause for concern. The historic US credit rating downgrade and debt problems in some European countries have prompted economists to reduce their forecasts of economic growth. Continued uncertainty about the overall outlook has softened consumer confidence and made the retail environment challenging even in many Asian and emerging markets. This downturn has also negatively impacted the video graphics cards industry.

However, in spite of these macroeconomic challenges, the Group's total revenue during the year under review still managed an increase of approximately HK$384 million, or approximately 7%, from approximately HK$5,585 million in 2010 to approximately HK$5,969 million in 2011. Revenues from the NALA and PRC regions achieved double-digit growth at 14% and 11% respectively. Most importantly, the Group maintained a strong and healthy financial position, with cash and cash equivalents at the end of the year of approximately HK$717 million, a 5% increase over last year.

Business Review

General Performance

The Group is principally engaged in the design, development and manufacture of video graphics cards for desktop PCs, electronics manufacturing services ("EMS"), and manufacturing and trading in other PC related products and components.

Video graphics cards are the core business of the Group. The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") customers and also manufactures and markets video graphics cards under its own ZOTAC, Inno3D and Manli brands. The 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.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures computer base units for a provider of Point-Of-Sales ("POS") and Automatic Teller Machines ("ATM") systems, as well as modules for a flash memory provider. The Group also manufactures Internet Media Tablets and other electronic products for its customers.

The Group also manufactures and sells other PC related products, such as mini-PCs and motherboards, under its own brands, and derives revenue from trading in components. The Group believes that the product design, development and engineering skills of its research and development team lead to the high quality products that drive its business success.

As at 31 December 2011, the Group operated two factories with a total of 43 Surface Mount Technology (SMT) lines, one Chip-On-Board (COB) line and 24 assembly and testing lines with occupying a total factory floor area of approximately 150,000 sq.m. The Group prides itself on its research and development expertise, accumulated know-how and innovation in video graphics cards and electronic products. As at 31 December 2011, the Group's research and development team consisted of 127 engineers in Hong Kong, Shenzhen, Dongguan and Taiwan.

Business in the EMEAI and APAC regions

During the year under review, revenue increases of approximately HK$460 million from the EMEAI region more than offset a revenue decline of approximately HK$242 million in the APAC region. Substantial increases in EMS sales to an Internet Media Tablet provider drove the EMEAI growth. Revenue from this source grew approximately HK$530 million, from approximately HK$332 million in 2010 to approximately HK$862 million in 2011. Excluding this increase, EMEAI revenue declined by approximately HK$70 million, or approximately 6%, from approximately HK$1,210 million in 2010 to approximately HK$1,140 million in 2011, mainly due to the effects of continued economic turmoil in Europe. Sales under the APAC geographical region have experienced decline on revenue in 2011 by approximately HK$242 million, or approximately 9%, from approximately HK$2,660 million in 2010 to approximately HK$2,418 million in 2011.

Business in the NALA and the PRC regions

Revenues from the NALA and PRC regions both achieved double digit growth rates of 14% and 11% on year to year comparison respectively, mainly due to the continued development of the ZOTAC business in both video graphics cards and other PC related products. NALA region revenue increased approximately HK$71 million, from approximately HK$516 million in 2010 to approximately HK$587 million in 2011. Revenue from the PRC region grew by approximately HK$96 million, from approximately HK$867 million in 2010 to approximately HK$963 million in 2011.

Outlook

Looking ahead, China, India and other emerging countries are becoming key markets for new, replacement and upgrade video graphics cards as their increasing consumer wealth drives personal and business consumption. In view of these opportunities, the Group will continue its current strategy of strengthening design, development and engineering capabilities, expanding manufacturing capacity, and enhancing brand image as well as improving profit margin by increase on production efficiency, enhance the business relationships with suppliers and customers, and improve working capital efficiency. Overall, the management team remains confident in its business outlook. With the unwavering support of its employees and shareholders, the Group will continue to manage the company and serve investors with ever greater effort, sincerity and pragmatism.

FINANCIAL REVIEW

Revenue

During the year under review, total revenue increased by approximately HK$384 million, or approximately 7%, from approximately HK$5,585 million in 2010 to HK$5,969 million in 2011, was resulted from the net impact on increase of EMS and other PC related products and components by approximately HK$683 million and HK$181 million and decrease on video graphics cards by approximately HK$481 million.

As at 31 December 2011, sales of video graphics cards was decreased by approximately HK$481 million, or approximately 11%, from approximately HK$4,340 million in 2010 to approximately HK$3,859 million in 2011. As a results of lack of new product launched in AMD based video graphics cards as well as losing a few ODM/OEM based customers, ODM/OEM contract manufacturing businesses has been declined by HK$650 million, or approximately 24%, from HK$2,654 million in 2010 to HK$2,004 million in 2011. Since NVIDIA launched a number of new GPUs in 2011 and continuous development of the ZOTAC brand, sales from the Group's own brands video graphics cards, which are based on NVIDIA GPUs, increased by approximately HK$169 million, or 10%, from approximately HK$1,686 million in 2010 to approximately HK$1,855 million in 2011.

During the year under review, revenue from EMS business increased by approximately HK$683 million, or approximately 91%, from approximately HK$754 million in 2010 to approximately HK$1,437 million in 2011. The significant growth was primarily due to an increase in sales of Internet Media Tablet products by HK$530 million, or approximately 159%, from approximately HK$332 million in 2010 to approximately HK$862 million in 2011. It was mainly due to a strong market demand of these products as well as a change of the manufacturing model to turnkey manufacturing by the EMS customer from the second half year of 2010. POS and ATM systems under EMS business increased by HK$116 million, or approximately 48%, from approximately HK$242 million in 2010 to approximately HK$358 million in 2011.

Sales of other PC related products and components was increased by approximately HK$181 million, or approximately 37%, from approximately HK$491 million in 2010 to approximately HK$672 million in 2011. Such increase was mainly due to the continuous increase in sales of its own ZOTAC brand business under other PC related products by HK$180 million, or approximately 66%, from approximately HK$273 million in 2010 to approximately HK$453 million in 2011.

Cost of Sales

Cost of sales primarily consists of cost of material, direct labour cost, subcontracting charges and production overheads. Production overheads mainly include rental expenses, depreciation, utilities charges, royalty charges, repair and maintenance expenses and packing cost.

The following table sets forth the sales and principal components of cost of sales and as a percentage of total sales for the years indicated.

	2011		2010	
	HK$'000	***% of sales***	*HK$'000*	*% of sales*
Sales	**5,969,166**		5,585,382	
Cost of sales				
Material cost	**5,175,163**	**86.7%**	4,821,462	86.3%
Direct labour	**155,639**	**2.6%**	134,550	2.4%
Subcontracting charges	**25,612**	**0.4%**	59,255	1.1%
Production overheads	**135,173**	**2.3%**	109,492	2.0%
Total cost of sales	**5,491,587**	**92.0%**	5,124,759	91.8%
Gross profit	**477,579**	**8.0%**	460,623	8.2%

During the year under review, cost of sales was increased by approximately HK$367 million, or approximately 7%, from approximately HK$5,124 million in 2010 to approximately HK$5,491 million in 2011. The rate of increase in cost of sales was slightly higher than the rate of increase of revenue in the same period, which was mainly due to increase in material cost, and labour cost and production overheads and was partially offset by the decrease in subcontracting charges.

The percentage of material cost to revenue was increased by 0.4% from approximately 86.3% in 2010 to approximately 86.7% in 2011 as a result of different product mix between the periods and change from consignment to turnkey model for a major EMS customer for Internet Media Tablet since second half year in 2010.

As a result of increase of regulatory monthly minimum wage in Dongguan from RMB770 to RMB920 per head in May 2010 and then to RMB1,100 in March 2011, together with appreciation of the Renminbi causing the labour cost increase by approximately HK$21 million, or approximately 16%, from approximately HK$134 million in 2010 to approximately HK$155 million in 2011.

During the year under review, production overheads inclusive of rental expense, deprecation, utilities charges, royalty charges, repair and maintenance expenses and packing cost increased by approximately HK$26 million, or approximately 24%, from HK$109 million in 2010 to HK$135 million in 2011. In which, electricity, power, and water together increased by HK$7 million. Royalty charges, repairs and maintenance together increased by HK$7 million in 2011.

The outsourcing subcontracting charges reduced by approximately HK$33 million, or approximately 56%, from approximately HK$59 million in 2010 to approximately HK$26 million in 2011, which was mainly due to a decrease in video graphics cards order and the increasing capacity for in-house production.

Gross Profit and Gross Profit Margin

During the year under review, gross profit was increased by approximately HK$17 million, or approximately 4%, from approximately HK$460 million in 2010 to approximately HK$477 million in 2011. The increase was mainly resulted from a net increase on sales of own brands video graphics cards, EMS, and other PC related products and components.

As at 31 December 2011, gross profit margin was declined by 0.2% from 8.2% in 2010 to 8.0% in 2011. It was mainly resulted from an increase on material cost to sales ratio by 0.4% from approximately 86.3% in 2010 to approximately 86.7% in 2011 as a result of different product mix between the periods and change from consignment to turnkey model for a major EMS customer for Internet Media Tablet since second half year in 2010. Conversion cost includes direct labour, subcontracting charges, and production overheads has been decreased by 0.2% to sales which has partially offset the increase on material cost ratio by 0.4% and result in 0.2% on gross profit margin decline.

Gross profit margin from sale of video graphics cards after material cost increased from 12.4% in 2010 to 13.2% in 2011 which contributed approximately HK$31 million gross profit after material cost. This was mainly resulted from increase on gross profit margin after material costs in own brands video graphics cards from 7.6% in 2010 to 9.8% in 2011 which was driven by higher average selling price on the own brands video graphics cards sold for the year. The gross profit margin after material cost from sale of ODM/OEM contract manufacturing based video graphics cards was declined by approximately HK$86 million from approximately HK$411 million in 2010 to approximately HK$325 million in 2011. Gross profit after material cost declined on ODM/OEM contract manufacturing based video graphic cards has been partially offset by the improvement on gross profit after material cost on own brands video graphics cards. Gross profit after material cost on EMS has been increased by approximately HK$51 million from HK$146 million in 2010 to HK$198 million in 2011. Gross profit margin from EMS after material cost was decreased from approximately 19.4% in 2010 to approximately 13.8% in 2011. This was mainly due to the Internet Media Tablet customer opting for turnkey manufacturing since second half year in 2010 which has driven the material cost ratio to sales up by 5.6% on EMS business. Gross profit after material cost on other PC related products and components increased by approximately HK$9 million from HK$79 million in 2010 to HK$88 million in 2011. Gross profit margin from sale of other PC related products and components after material costs decreased from approximately 16.0% in 2010 to 13.1% in 2011 was mainly due to the effect of the decrease in the Zotac PC related products gross profit margin as a result of strong price competition in the sector.

Other revenue and other gains and losses

During the year under review, other revenue and other gains and losses declined by approximately HK$34 million, or approximately 89% from approximately HK$38 million in 2010 to approximately HK$4 million in 2011. Such decrease was mainly due to dividend income received from an unlisted available-for-sale investment of HK$31 million in 2010 but such dividend income is not recurred in 2011.

Selling and distribution expenses

During the year under review, selling and distribution expenses were decreased by approximately HK$4 million, or approximately 4%, from approximately HK$104 million in 2010 to approximately HK$100 million in 2011. The decrease was mainly due to reduction of commission paid on video graphics cards brand business in 2011.

Administrative expenses

Administrative expenses was increased by approximately HK$20 million, or approximately 8%, from approximately HK$249 million in 2010 to approximately HK$269 million in 2011; in which, salaries and compensation (exclusive of directors' emoluments) increased by approximately HK$21 million, or approximately 17%, from approximately HK$122 million in 2010 to approximately HK$143 million in 2011 that is mainly due to minimum wage increment in Dongguan and appreciation of the RMB for the year. The remaining of the administrative expenses was reduced by approximately HK$1 million, or approximately 1%, from HK$127 million in 2010 to HK$126 million in 2011 which is resulted from cost savings on administration.

Listing expenses

The Group has recognised approximately HK$19 million listing expenses in 2011.

Finance costs

During the year under review, finance costs was decreased by approximately HK$0.7 million, or approximately 6%, from approximately HK$11.7 million in 2010 to approximately HK$11.0 million in 2011. The decrease on finance costs is in line with lower bank borrowings for the year.

Income tax expense

During the year under review, income tax expenses was decreased by approximately HK$6.5 million, or approximately 41%, from approximately HK$15.7 million in 2010 to approximately HK$9.2 million in 2011. This decrease was mainly due to profit decline for the group entities from HK$133 million on profit before income tax in 2010 to HK$82 million on profit before income tax in 2011.

Profit for the year

Profit for the year was decreased by approximately HK$44 million, or approximately 38%, from HK$117 million in 2010 to approximately HK$73 million in 2011. The decline on profit for the year was mainly due to the non-recurring listing expenses of HK$19 million incurred in 2011 and lack of dividend income received from the unlisted available-for-sale investments in the year of 2011; however, there was a total of HK$31 million dividend income received from the unlisted available-for-sale investments in 2010.

Profit attributable to the owners of the Company

During the year under review, profit attributable to the owners of the Company was decreased by HK$40 million, or approximately 36%, from approximately HK$110 million in 2010 to approximately HK$70 million in 2011.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had 5,814 employees. Employees are remunerated on basis of their individual performance and prevailing industry practices. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance-related bonuses may also be awarded to the employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

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

The shares of the Company were first listed on the Main Board of the Stock Exchange on 12 January 2012 (the "Listing Date"). Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date.

CORPORATE GOVERNANCE

As the Company was listed on 12 January 2012, the Company was not required to comply with the requirements under the code provisions set out in the Code on Corporate Governance Practices ("the Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules for the year ended 31 December 2011. Nevertheless, the Directors consider that since the Listing Date, the Company has applied the principles and complied with the applicable code provisions set out in the Code, except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2011, 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 markets, he is also responsible for the overall strategic management and corporate development of the Group. The Board considers that vesting the roles of chairman and chief executive officer simultaneously by Mr. Wong is beneficial to the business prospects and management of the Group. The roles of the respective executive directors and senior management staff in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to a strong and balanced management organisation that enables the Group to operate effectively. The Board currently comprises of 5 Executive Directors, 2 Non-executive Directors and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an audit committee on 21 December 2011 with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of the Company as well as to provide advice and comments to the Board. The audit committee consists of three members who are all Independent Non-executive Directors, namely, Mr. Lai Kin Jerome, Mr. Ip Shing Hing and Mr. Cheung Ying Sheung, and Mr. Lai Kin Jerome was appointed as the chairman of the audit committee.

The audit committee has reviewed the audited annual results of the Group for the year ended 31 December 2011.

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 2011 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkex.com.hk and on the Company's website at www.pcpartner.com. The 2011 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 of
PC Partner Group Limited
Wong Shik Ho Tony
Chairman

Hong Kong, 26 March 2012

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

* *For identification purposes only*