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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 2013**

FINANCIAL HIGHLIGHTS	Year ended 31 December		Change
	2013	2012	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Turnover	4,803.1	5,175.7	-7.2%
Gross Profit	478.4	461.0	+3.8%
Profit for the year	73.1	52.3	+39.8%
Gross Profit %	10.0%	8.9%	+12.4%
Net Profit %	1.5%	1.0%	+50.0%

The board of directors (the “Board”) of PC Partner Group Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Turnover	4,5	4,803,097	5,175,674
Cost of sales		(4,324,676)	(4,714,677)
Gross profit		478,421	460,997
Other revenue and other gains and losses	6	10,185	14,881
Selling and distribution expenses		(95,536)	(99,909)
Administrative expenses		(296,324)	(297,838)
Listing expenses		—	(720)
Finance costs	7	(10,791)	(13,854)
Profit before income tax	8	85,955	63,557
Income tax expense	9	(12,810)	(11,303)
Profit for the year		73,145	52,254
Other comprehensive income, after tax, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		106	507
Total comprehensive income for the year		73,251	52,761
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	12		
— Basic		0.18	0.13
— Diluted		0.18	0.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		63,845	90,361
Intangible assets		7,272	7,990
Other financial assets		20,992	20,992
Deferred tax assets		1,790	1,762
Total non-current assets		93,899	121,105
Current assets			
Inventories	<i>14</i>	854,314	697,921
Trade and other receivables	<i>13</i>	854,043	851,997
Derivative financial assets		—	1,308
Current tax recoverable		805	344
Pledged time deposits		310	310
Cash and cash equivalents		688,972	602,591
Total current assets		2,398,444	2,154,471
Total assets		2,492,343	2,275,576
Current liabilities			
Trade and other payables	<i>15</i>	869,597	713,594
Borrowings	<i>16</i>	823,111	821,539
Provisions		7,032	6,228
Obligations under finance leases		15	16
Derivative financial liabilities		2,391	3
Current tax liabilities		8,447	6,148
Total current liabilities		1,710,593	1,547,528
Net current assets		687,851	606,943
Total assets less current liabilities		781,750	728,048
Non-current liabilities			
Obligations under finance leases		27	42
Deferred tax liabilities		80	—
Total non-current liabilities		107	42
NET ASSETS		781,643	728,006
Capital and reserves			
Share capital	<i>17</i>	41,752	41,752
Reserves		739,891	686,254
TOTAL EQUITY		781,643	728,006

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 January 2013

The Group has adopted the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010–2012 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 19 (2011)	Employee Benefits

The adoption of the new/revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities ¹
HKFRS 9	Financial Instruments ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2014

² No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the potential impact of these pronouncements. The directors so far concluded that the application of these new pronouncements will have no material impact on the Group's 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 "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.

4. SEGMENT REPORTING

(a) Reportable segments

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

(b) Geographical information

(i) Turnover

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Asia Pacific ("APAC")	2,138,330	2,071,250
North and Latin America ("NALA")	691,025	629,891
People's Republic of China ("PRC")	1,005,013	943,066
Europe, Middle East, Africa and India ("EMEAI")	968,729	1,531,467
	<u>4,803,097</u>	<u>5,175,674</u>

(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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
APAC	10,783	11,393
NALA	219	242
PRC	60,100	86,585
EMEAI	15	131
	<u>71,117</u>	<u>98,351</u>

(c) Revenue from major products and services

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Video graphics cards	3,347,666	3,247,078
Electronics manufacturing services	1,024,644	1,271,219
Other PC related products and components	430,787	657,377
	<u>4,803,097</u>	<u>5,175,674</u>

(d) Information about major customers

Revenue from customers of the corresponding periods contributing 10% or more of the Group's revenue is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Customer A (<i>Note a</i>)	N/A	550,256
Customer B (<i>Note b</i>)	518,731	N/A

Notes:

- (a) Revenue from this customer was derived mainly from sales of video graphics cards in the PRC. Its revenue in 2013 did not contribute 10% or more of the Group's revenue.
- (b) Revenue from this customer was derived from rendering of electronics manufacturing services in the APAC region. Its revenue in 2012 does not contribute 10% or more of the Group's revenue.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income	2,860	2,681
Net exchange gains	1,288	6,164
Net fair value (losses)/gains on derivative financial instruments	(3,695)	800
Net gain on settlement of derivative financial instrument	5,145	2,048
Gain on disposal of property, plant and equipment	458	—
Sundry income	4,129	3,188
	<u>10,185</u>	<u>14,881</u>

7. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on bank advances and other borrowings wholly repayable within five years	<u>10,791</u>	<u>13,854</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Inventories recognised as expense	4,297,323	4,703,106
Provision for obsolete inventories	27,353	11,571
Cost of sales	<u>4,324,676</u>	<u>4,714,677</u>
Staff costs	361,173	357,249
Auditor's remuneration	1,614	1,545
Depreciation of property, plant and equipment	35,927	34,753
Amortisation of intangible assets	718	1,800
Provision for impairment losses on trade and other receivables	2,023	870
Operating lease payments on plant and machinery	240	282
Operating lease payments on premises	30,362	30,346
Property, plant and equipment written off	459	12
Net provision/(reversal) for product warranties and returns	<u>1,517</u>	<u>(770)</u>
Research and development expenditure (<i>Note</i>)	<u>30,214</u>	<u>27,322</u>

Note:

The research and development expenditure for the year include HK\$30,214,000 (2012: HK\$27,322,000) relating to depreciation of plant and machinery and office equipment and employee benefits expense for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

9. INCOME TAX EXPENSE

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax — Hong Kong		
— provision for the year	10,038	8,208
— under provision in respect of prior year	48	3
Current tax — PRC		
— provision for the year	2,038	2,232
— under provision in respect of prior year	5	256
Current tax — Korea and Europe		
— provision for the year	611	503
— under provision in respect of prior year	18	4
	<u>12,758</u>	<u>11,206</u>
Deferred tax		
— origination and reversal of temporary differences	52	97
Income tax expense	<u>12,810</u>	<u>11,303</u>

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

The 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% (2012: 16.5%) on the estimated assessable profits for the year ended 31 December 2013. A significant subsidiary of the Group, PC Partner Limited, is exempted under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong in respect of claiming 50% of all of its manufacturing profits as offshore in nature and non-taxable.

The Group's wholly owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during last year and the applicable PRC enterprise income tax rate for the year is 15% (2012: 15%). Other PRC subsidiaries of the Group are subject to PRC enterprise income tax at a statutory rate of 25% (2012: 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 2013.

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before income tax	<u>85,955</u>	<u>63,557</u>
Tax on profit before income tax, calculated at Hong Kong profits tax rate	14,183	10,487
Effect of different tax rates of subsidiaries operating in other jurisdictions	(54)	(1,446)
Effect of tax exemption granted to a subsidiary	2,028	(1,563)
Tax effect of non-taxable net income relating to offshore operation	(8,594)	(7,698)
Tax effect of expenses not deductible for tax purposes	8,154	8,101
Tax effect of revenue not taxable for tax purposes	(5,746)	(259)
Tax effect of tax losses and deductible temporary differences not recognised	2,010	3,087
Under provision in prior year	71	263
Tax rebate	(50)	(50)
Others	808	381
Income tax expense	<u>12,810</u>	<u>11,303</u>

10. PROFIT FOR THE YEAR

The consolidated profit for the year ended 31 December 2013 includes a profit of approximately HK\$9,284,000 (2012: a profit of approximately HK\$6,697,000), which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Amount of consolidated profit for the year dealt with in the Company's financial statements	9,284	6,697
Final dividend from a subsidiary attributable to the profits of the previous financial year, approved and paid during the year	<u>15,993</u>	<u>55,442</u>
Company's profit for the year	<u>25,277</u>	<u>62,139</u>

11. DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
2012 Final dividend paid — HK\$0.03 (2012: 2011 Final dividend — HK\$0.08) per share	12,526	33,401
2013 Interim dividend declared and paid — HK\$0.025 (2012: 2012 Interim dividend — HK\$0.02) per share	<u>10,438</u>	<u>8,351</u>
Dividends paid for the year	<u>22,964</u>	<u>41,752</u>

The directors of the Company proposed a final dividend of HK\$0.04 (2012: HK\$0.03) per share, totaling HK\$16,701,000 (2012: HK\$12,526,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2013 and 2012 is based on the profit for the year and assuming the shares were in issue during the current and prior years, calculated as follows:

Earnings	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>73,145</u>	<u>52,254</u>
Number of shares	2013	2012
Weighted average number of ordinary shares for the purpose of basic earnings per share	417,518,668	414,903,914
Effect of dilutive potential ordinary shares: — share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>417,518,668</u>	<u>414,903,914</u>

The computation of diluted earnings per share for the year ended 31 December 2013 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

13. TRADE AND OTHER RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	825,562	844,834
Less: Accumulated impairment losses	(9,912)	(8,354)
	815,650	836,480
Other receivables	7,116	1,392
Deposits and prepayments	31,277	14,125
	<u>854,043</u>	<u>851,997</u>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 1 month	465,715	398,743
Over 1 month but within 3 months	296,439	385,110
Over 3 months but within 1 year	52,981	50,198
Over 1 year	515	2,429
	<u>815,650</u>	<u>836,480</u>

The average credit period on sales of goods is 25 to 60 days (2012: 30 to 60 days) from the invoice date.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 1 month	123,619	230,922
Over 1 month but within 3 months	21,697	88,219
Over 3 months but within 1 year	35,807	13,181
Over 1 year	350	2,233
	<u>181,473</u>	<u>334,555</u>

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 reconciles the impairment loss of trade receivables for the year:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At beginning of year	8,354	8,805
Provision of impairment loss recognised	2,023	870
Uncollectible amounts written off	(472)	(1,343)
Exchange difference	7	22
At end of year	<u>9,912</u>	<u>8,354</u>

14. INVENTORIES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Raw materials	467,253	384,238
Work-in-progress	27,754	11,625
Finished goods	406,845	335,602
	<u>901,852</u>	<u>731,465</u>
Less: Provision for obsolete inventories	(47,538)	(33,544)
	<u>854,314</u>	<u>697,921</u>

15. TRADE AND OTHER PAYABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade payables	693,421	553,223
Other payables and accruals	176,176	160,371
	<u>869,597</u>	<u>713,594</u>

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 1 month	345,942	225,699
Over 1 month but within 3 months	313,843	291,596
Over 3 months but within 1 year	29,182	32,900
Over 1 year	4,454	3,028
	<u>693,421</u>	<u>553,223</u>

16. BORROWINGS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Import loans — secured	787,835	767,928
Bank loans — secured	24,165	48,411
Discounted bills	11,111	5,200
	<u>823,111</u>	<u>821,539</u>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
On demand or within one year	815,861	797,374
Due after one year		
More than one year, but not exceeding two years	7,250	16,915
More than two years, but not exceeding five years	—	7,250
	<u>7,250</u>	<u>24,165</u>
	<u>823,111</u>	<u>821,539</u>

17. SHARE CAPITAL

	2013		2012	
	<i>Number</i>	<i>HK\$'000</i>	<i>Number</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.1 each	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of the year	417,518,668	41,752	330,518,668	33,052
Shares issued under initial public offering (<i>Note</i>)	—	—	87,000,000	8,700
	<u>417,518,668</u>	<u>41,752</u>	<u>417,518,668</u>	<u>41,752</u>

Note: On 12 January 2012, 87,000,000 new ordinary shares of HK\$0.10 each were issued at a price of HK\$1.60 per share under the initial public offering. The Group raised approximately HK\$128,031,000, net of related expenses from the share offer and placing.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK4 cents per share for the year ended 31 December 2013 be paid on or before 8 July 2014 (Tuesday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 25 June 2014 (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 20 June 2014 (Friday).

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 20 June 2014 (Friday). The Notice of the AGM, which constitutes part of the circular to shareholders, will be sent together with the 2013 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 17 June 2014 (Tuesday) to 20 June 2014 (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 16 June 2014 (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 25 June 2014 (Wednesday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 26 June 2014 (Thursday) to 30 June 2014 (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 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 25 June 2014 (Wednesday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturing ("ODM/OEM") customers and also manufactures and markets video graphics cards and other PC products under its own ZOTAC, Inno3D and Manli brands. The relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. Video graphics cards remained as the core business of the group for the year under review.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for providers of Point-Of-Sales (“POS”) and Automatic Teller Machines (“ATM”) systems, healthcare products, Light Emitting Diode (“LED”) modules, Internet Media Tablet and a number of other customers. Beside the video graphics cards and the EMS businesses, the Group manufactures and sells other PC related products, such as mini-PCs and motherboards under its own brands and on ODM/OEM basis, and derives revenue from trading in components.

Business Performance

Total revenue decreased by HK\$372.6 million or 7.2%, from HK\$5,175.7 million in 2012 to HK\$4,803.1 million in 2013. It was mainly due to a decline in the Europe, Middle East, Africa and India (“EMEAI”) region by HK\$562.8 million or 36.7% from HK\$1,531.5 million to HK\$968.7 million in 2013. The impact is partially offset by a growth in all other regions including Asia Pacific (“APAC”), North and Latin America (“NALA”), and the People’s Republic of China (“PRC”) by a total of HK\$190.2 million.

APAC region

APAC region experienced an increase in revenue by HK\$67.1 million or 3.2%, from HK\$2,071.2 million in 2012 to HK\$2,138.3 million in 2013. This was mainly resulted from an increase in sales of video graphics cards to the ODM/OEM contracting manufacturing customers and the own brands business in the region.

EMEAI region

EMEAI region experienced a decline in revenue of HK\$562.8 million or 36.7%, from HK\$1,531.5 million in 2012 to HK\$968.7 million in 2013. This was mainly attributable to decline in orders from EMS customers of (i) Internet Media Tablet by HK\$386.8 million or 89.0% from HK\$434.8 million in 2012 to HK\$48.0 million in 2013; and (ii) LED modules by HK\$166.7 million or 69.9% from HK\$238.6 million in 2012 to HK\$71.9 million in 2013.

NALA region

NALA region recorded a growth in revenue of HK\$61.1 million or 9.7%, from HK\$629.9 million in 2012 to HK\$691.0 million in 2013. It was mainly attributable to revenue contribution from a healthcare products customer by HK\$139.8 million or 148.9% from HK\$93.9 million in 2012 to HK\$233.7 million in 2013. This has partially offset the decline in revenue from both the ODM/OEM contracting manufacturing business in video graphics cards and own brands business in the region.

PRC region

PRC region recorded a growth in revenue of HK\$61.9 million or 6.6%, from HK\$943.1 million in 2012 to HK\$1,005.0 million in 2013. This was mainly attributed to the sales increment in video graphics cards in the region.

OUTLOOK

Looking ahead, the operating environment will remain difficult as a result of the unresolved market uncertainties. The Group will continue with its prudent development strategy to cope with market changes. Riding on the strong fundamentals built up over the years, the Group will leverage its core strength to further expand business networks to develop and promote new products and brand name with advanced research and development, branding and manufacturing capabilities. The Group will capture the growing opportunities on the EMS and other PC related products and components segments.

Coupled with competitive design, develop and engineering capabilities, the Group will continue to drive the development of new products and new business in order to enlarge its revenue growth. As one of the world leading computer electronics manufacturers, the Group will strengthen its strategic partnership with international major chipset players, customers and suppliers which push ahead PC Partner to deliver well performance, cost-competitive products and solutions to the marketplace.

FINANCIAL REVIEW

Revenue

Total revenue decreased by HK\$372.6 million or 7.2%, from HK\$5,175.7 million in 2012 to HK\$4,803.1 million in 2013. It was mainly attributable to decline in revenue from EMS by HK\$246.6 million and decline in revenue from other PC related products and components by HK\$226.6 million, which were partially offset by an increase in revenue from video graphics cards by HK\$100.6 million.

Revenue from video graphics cards increased by HK\$100.6 or 3.1%, from HK\$3,247.1 million in 2012 to HK\$3,347.7 million in 2013. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK\$128.1 million or 7.3%, from HK\$1,756.6 million in 2012 to HK\$1,884.7 million in 2013, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK\$27.5 million or 1.8%, from HK\$1,490.5 million in 2012 to HK\$1,463.0 million in 2013.

Revenue derived from the EMS businesses decreased by HK\$246.6 million or 19.4%, from HK\$1,271.2 million in 2012 to HK\$1,024.6 million in 2013. The decrease was mainly due to a decrease in sales of Internet Media Tablets, flash memory modules and LED modules, which was partially offset by higher demand in both POS and ATM systems, healthcare products, and other EMS products.

Revenue from other PC related products and components decreased by HK\$226.6 million or 34.5%, from HK\$657.4 million in 2012 to HK\$430.8 million in 2013. The decrease was mainly attributable to decrease in sales of motherboards and trading in components during the year.

Gross Profit and Margin

The gross profit of the Group for 2013 was HK\$478.4 million, representing an increase of HK\$17.4 million or 3.8% compared with HK\$461.0 million in 2012. Gross profit margin for 2013 increased by 1.1 percentage points from 8.9% in 2012 to 10.0% in 2013. This was mainly attributable to the continuous improvement in the Group's product mix, which reduced the overall material cost to revenue ratio by 1.1 percentage points, from 85.3% in 2012 to 84.2% in 2013. In addition, operational efficiency has been achieved and successfully offset the incremental impact on minimum wages in Dongguan and the appreciation of the Renminbi, so that the conversion cost to revenue ratio remained at 5.8% for both 2012 and 2013.

Profit for the year

The profit for the year in 2013 was HK\$73.1 million, representing an increase of HK\$20.8 million or 39.8% over 2012 of HK\$52.3 million. The increase in gross profit together with the reduction of operating expenses has contributed to the increase in profit for the year.

Selling and distribution expenses decreased by HK\$4.4 million or 4.4%, from HK\$99.9 million in 2012 to HK\$95.5 million in 2013. Selling and distribution expenses to revenue ratio has been increased by 0.1 percentage points from 1.9% in 2012 to 2.0% in 2013. This was mainly attributable to the reduction in the variable selling and distribution expenses as a result of the reduction in product sales.

Administrative expenses decreased by HK\$1.5 million or 0.5%, from HK\$297.8 million in 2012 to HK\$296.3 million in 2013. It was mainly attributable to cost control and cost reduction by the Group, which generated savings on administrative expenses for the year.

Finance costs decreased by HK\$3.1 million or 22.3%, from HK\$13.9 million in 2012 to HK\$10.8 million in 2013. It was mainly resulted from the reduction in bank interest rates and the Group's lower bank borrowings needs, which relied less on bank borrowings as the cost of sales decline during the year.

Income tax expense was increased by HK\$1.5 million or 13.3%, from HK\$11.3 million in 2012 to HK\$12.8 million in 2013. It was mainly attributable to the increase in operating profit of the Group and increase in the gross profit margin of certain Hong Kong entities.

Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for 2013 was HK\$73.1 million, representing an increase of HK\$20.8 million compared with 2012 of HK\$52.3 million. Net profit margin increased by 0.5 percentage points from 1.0% in 2012 to 1.5% in 2013.

Basic earnings per share were increased by HK 4.9 cents, to HK 17.5 cents for 2013 as compared with HK 12.6 cents in 2012. The Directors proposed a final dividend of HK 4 cents per share for 2013, which is estimated to amount to approximately HK\$16.7 million.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds have been increased by HK\$53.6 million, from HK\$728.0 million in 2012 to HK\$781.6 million in 2013.

Financial Position

The Group has total current assets of HK\$2,398.4 million as at 31 December 2013 and HK\$2,154.5 million as at 31 December 2012. The Group's total current liabilities amounted to HK\$1,710.6 million as at 31 December 2013 and HK\$1,547.5 million as at 31 December 2012. The Group's current ratio, defined as total current assets over total current liabilities, remained at 1.4 as at 31 December 2013.

The Group's cash and bank balances increased from HK\$602.6 million as at 31 December 2012 to HK\$689.0 million as at 31 December 2013. Based on the borrowings of HK\$823.2 million as at 31 December 2013 and HK\$821.6 million as at 31 December 2012, and total equity of HK\$781.6 million as at 31 December 2013 and HK\$728.0 million as at 31 December 2012, the Group's gearing ratio

(being net debts divided by total equity) reduced from 30.1% as at 31 December 2012 to 17.2% as at 31 December 2013. The decrease in gearing ratio was mainly attributable to higher cash and bank balances and total equity as at 31 December 2013.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2013, the Group was exposed to currency risk primarily through sales and purchases that have denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily United States dollar, Renminbi and Korean Won. The Group managed certain of its exchange rate risk by entering into performance swap contracts and non-deliverable foreign currency forward contracts.

Treasury Policies

The Group's treasury policies are designed to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global and to minimise the Group's financial risks. The Group principally uses performance swap contract and non-deliverable foreign currency forward contract as appropriate risk management purposes only, for hedging foreign exchange transactions and for managing the Group's assets and liabilities. It is the Group's policy not to enter into derivative transactions for speculative purposes.

Working Capital

Inventories of the Group as at 31 December 2013 were HK\$854.3 million, increased by HK\$156.4 million or 22.4% as compared with HK\$697.9 million as at 31 December 2012. It was mainly due to additional raw materials planned and additional buffer finished goods built up for production close down during the Chinese New Year. Therefore, the inventory turnover days increased from 58 days as at 31 December 2012 to 66 days as at 31 December 2013.

Trade receivables as at 31 December 2013 were HK\$815.7 million, decreased by HK\$20.8 million or 2.5% as compared with HK\$836.5 million as at 31 December 2012. Trade receivable turnover days increased from 59 days as at 31 December 2012 to 63 days as at 31 December 2013.

Trade payables as at 31 December 2013 was HK\$693.4 million, increased by HK\$140.2 million or 25.3% as compared with HK\$553.2 million as at 31 December 2012. Trade payable turnover days decreased from 58 days as at 31 December 2012 to 53 days as at 31 December 2013.

Charge on Assets

As at 31 December 2013, bank deposit of HK\$0.3 million was pledged to banks to secure general banking facilities granted to the Group.

Capital Expenditure

The Group invested HK\$9.9 million in the purchase of property, plant and equipment in 2013. All of these capital expenditures were financed by internal resources and the proceeds from the initial public offering.

Capital Commitments and Contingent Liabilities

As at 31 December 2013, total capital commitments amounted to HK\$0.6 million, and there were no material contingent liabilities or off balance sheet obligation.

Significant Acquisitions and Disposals of Investments

Save for those disclosed in the consolidated statement of financial position, there was no other significant investments held and there was no acquisition of additional interests in subsidiaries or disposal of subsidiary.

Future plans for material investments or capital assets

The Group had no plan for material investments or acquisitions of capital assets as at 31 December 2013, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of business.

USE OF PROCEEDS

The aggregated net proceeds from the Offering (as defined in the Company's prospectus dated 29 December 2011), based on an offer price of HK\$1.6 per offer share was HK\$109.0 million. The Group intended to apply such net proceeds as set forth in the prospectus dated 29 December 2011, namely HK\$46.0 million for expansion production capacity, HK\$24.0 million for promotion and development of new products and brand name, HK\$24.0 million for research and development, HK\$5.0 million for upgrading the existing Enterprise Resources Planning ("ERP") system and IT resources, and HK\$10.0 million for the Group's working capital and general corporate purposes. As at 31 December 2013, the Group has applied HK\$13.2 million on expansion of production facilities, HK\$18.8 million on promotion and development of new products and brand name, HK\$7.0 million on research and development, and HK\$5.0 million on ERP system upgrade project.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group had 4,858 employees (2012: 5,321 employees). Employees are remunerated on basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund and performance related bonuses may also be awarded to employees. The Company has also adopted a Pre-IPO Share Option Scheme to recognise the contributions of and as retention incentive to the executive directors, certain management staff and selected long service employees of the Group.

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

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

CORPORATE GOVERNANCE

During the year ended 31 December 2013, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), except for the deviation from code provision A.2.1 of the Code as described below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2013, 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 5 Executive Directors, 1 Non-executive Director 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 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 on 21 December 2011 with written terms of reference. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of the Company and to provide advice and comments to the Board. The audit committee consists of three members who are all Independent Non-executive Directors, namely, Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung.

The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2013.

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 2013 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”) www.hkex.com.hk and on the Company’s website at www.pcpartner.com. The 2013 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, 31 March 2014

As at the date of this announcement, the Executive Directors of the Company are Mr. WONG Shik Ho Tony, Mr. WONG Fong Pak, Mr. LEUNG Wah Kan, Mr. HO Nai Nap, Mr. MAN Wai Hung, the Non-executive Director is Mrs. HO WONG Mary Mee-Tak (Mr. CHIU Wing Yui is 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*