

Interim Report **2013**



栢能集團有限公司\*

**PC Partner Group Limited**

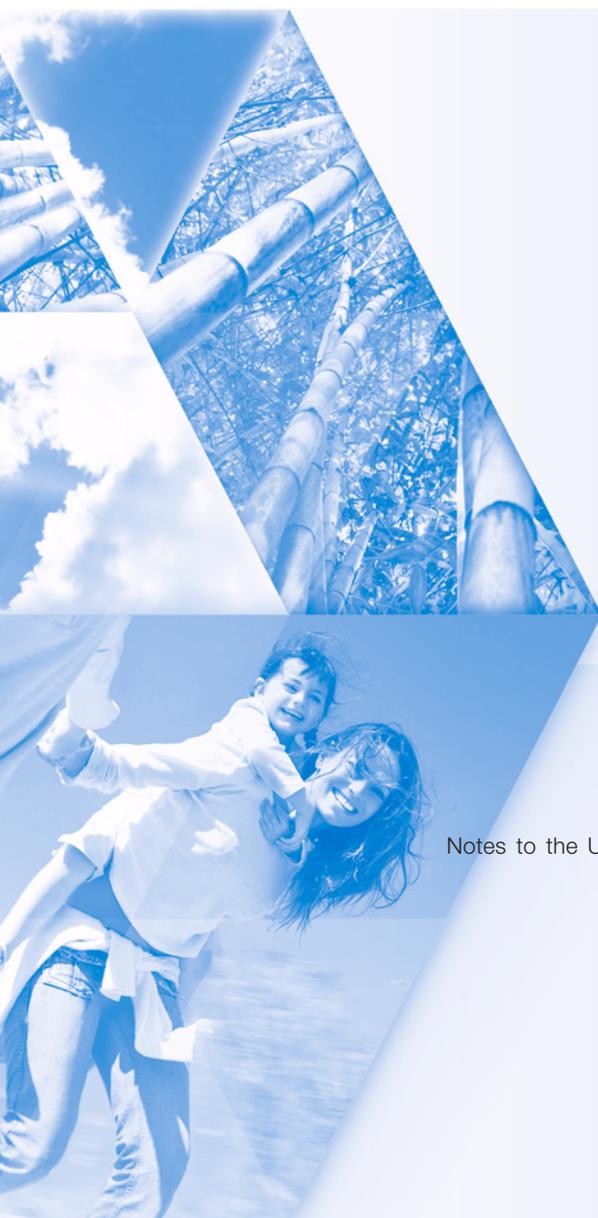
Incorporated in the Cayman Islands with limited liability

HKSE: 1263

*\* For identification purpose only*

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## COMPANY PROFILE

PC Partner is a leading manufacturer of computer electronics. Our key products are video graphics cards, motherboards and mini-PCs. We are also offering one-stop electronic manufacturing services to reputable brands all over the world.

As one of the leaders in the industry, we leverage our extraordinary research and development capabilities and state-of-the-art production facilities to constantly bring new product ideas and leading-edge innovations to the market. We endeavour to stay ahead of the industry to ensure success and competitiveness in serving the needs of our customers.

We are a technology company with a global vision.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. WONG Shik Ho Tony  
*(Chairman and Chief Executive Officer)*  
 Mr. WONG Fong Pak *(Executive Vice President)*  
 Mr. LEUNG Wah Kan *(Chief Operation Officer)*  
 Mr. HO Nai Nap  
 Mr. MAN Wai Hung

### Non-executive Director

Mrs. HO WONG Mary Mee-Tak  
 Mr. CHIU Wing Yui  
*(Alternate Director to Mrs. HO WONG Mary Mee-Tak)*

### Independent Non-executive Directors

Mr. IP Shing Hing  
 Mr. LAI Kin Jerome  
 Mr. CHEUNG Ying Sheung

## AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*  
 Mr. IP Shing Hing  
 Mr. CHEUNG Ying Sheung

## REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*  
 Mr. LAI Kin Jerome  
 Mr. CHEUNG Ying Sheung  
 Mr. WONG Shik Ho Tony

## NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*  
 Mr. LAI Kin Jerome  
 Mr. CHEUNG Ying Sheung  
 Mr. WONG Shik Ho Tony

## COMPANY SECRETARY

Ms. LEUNG Sau Fong

## AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony  
 Ms. LEUNG Sau Fong

## AUDITOR

BDO Limited  
 25/F., Wing On Centre  
 111 Connaught Road Central  
 Hong Kong

## COMPLIANCE ADVISER

WAG Worldsec Corporate Finance Limited  
 6/F., New Henry House  
 10 Ice House Street  
 Central  
 Hong Kong

## LEGAL ADVISER

Woo Kwan Lee & Lo  
 26/F., Jardine House  
 1 Connaught Place  
 Central  
 Hong Kong

## REGISTERED OFFICE

Clifton House, 75 Fort Street  
 P.O. Box 1350  
 Grand Cayman KY1-1108  
 Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19/F., Shatin Galleria  
 18-24 Shan Mei Street  
 Fo Tan  
 Shatin  
 New Territories

## CORPORATE INFORMATION

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Appleby Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17/F.  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking Corporation  
Limited  
Hang Seng Bank Limited  
Standard Chartered Bank (Hong Kong) Limited  
Australia and New Zealand Banking Group Limited

### **WEBSITE**

[www.pcpartner.com](http://www.pcpartner.com)

# 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 period under review.

The Group provides EMS to globally recognised brands. Among these, the Group manufactures products for a provider of Internet Media Tablets, Point-Of-Sales (“POS”) and Automatic Teller Machines (“ATM”) systems, as well as modules for a Light Emitting Diode (“LED”), a flash memory provider and a healthcare product provider. Beside the video graphics cards and 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\$320.9 million, or 12.3%, from HK\$2,599.8 million for the six months ended 30 June 2012 to HK\$2,278.9 million for the six months ended 30 June 2013. It was mainly due to a significant decline in the Europe, Middle East, Africa and India (“EMEA”) region by HK\$474.3 million, partially offset by a growth in both the North and Latin America (“NALA”) region and People’s Republic of China (“PRC”) region by a total of HK\$155.0 million.

### Asia Pacific (“APAC”) region

APAC region experienced a slight decline in revenue by HK\$1.7 million or 0.2%, from HK\$1,014.2 million for the six months ended 30 June 2012 to HK\$1,012.5 million for the six months ended 30 June 2013. This was mainly resulted from a decline in sales of video graphics cards to the ODM/OEM contract manufacturing customers, which has been partially offset by a growth in own brands video graphics cards in the region.

### EMEA region

EMEA region experienced a decline of HK\$474.3 million or 52.7%, from HK\$900.3 million for the six months ended 30 June 2012 to HK\$426.0 million for the six months ended 30 June 2013. It was mainly due to a significant decline in orders from the Internet Media Tablet customer by HK\$312.3 million or 89.6%, from HK\$348.4 million for the six months ended 30 June 2012 to HK\$36.1 million for the six months ended 30 June 2013. Another EMS customer for LED modules has also shown a significant decline in orders by HK\$94.7 million or 63.3%, from HK\$149.5 million for the six months ended 30 June 2012 to HK\$54.8 million for the six months ended 30 June 2013.

### NALA region

NALA region marked a growth of HK\$91.7 million or 34.7%, from HK\$264.6 million for the six months ended 30 June 2012 to HK\$356.3 million for the six months ended 30 June 2013. It was mainly attributable to revenue contribution from a new EMS customer during the period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRC region

PRC region recorded a growth of HK\$63.4 million or 15.1%, from HK\$420.7 million for the six months ended 30 June 2012 to HK\$484.1 million for the six months ended 30 June 2013. It was mainly attributable to the sales increment on video graphics cards in the region during the period.

### Outlook

The macro-economic environment will remain challenging in the second half year of 2013 and 2014. The US economic recovery is expected to continue, but it is likely to remain slow. In Europe, the picture is mixed and uncertain. Material costs are forecast to be steady, while labour costs and manufacturing overheads are expected to increase further. With efficiency gains through product optimisation and process improvement as well as product mix improvement, gross profit margin is expected to increase. We are optimistic in achieving higher returns to our shareholders as the Group will continue focus on innovative product development to gain market leadership and efficient operations.

## FINANCIAL REVIEW

### Revenue

During the period under review, total revenue decreased by HK\$320.9 million or 12.3%, from HK\$2,599.8 million for the six months ended 30 June 2012 to HK\$2,278.9 million for the six months ended 30 June 2013. It was mainly due to a decline in revenue from EMS by HK\$240.8 million and a decline in other PC related products and components by HK\$94.7 million, which was partially offset by an increase in revenue from video graphics cards by HK\$14.5 million.

Revenue from the video graphics cards increased by HK\$14.5 million or 0.9%, from HK\$1,556.5 million for the six months ended 30 June 2012 to HK\$1,571.0 million for the six months ended 30 June 2013. It was mainly due to the net effect of revenue increase in own brands video graphics cards by HK\$91.1 million or 11.5%, from HK\$795.2 million for the six months ended 30 June 2012 to HK\$886.3 million for the six months ended 30 June 2013, and a decline in revenue derived from ODM/OEM contract manufacturing businesses by HK\$76.6 million or 10.1%, from HK\$761.3 million for the six months ended 30 June 2012 to HK\$684.7 million for the six months ended 30 June 2013.

Revenue derived from the EMS businesses decreased by HK\$240.8 million or 32.3%, from HK\$746.3 million for the six months ended 30 June 2012 to HK\$505.5 million for the six months ended 30 June 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 and other EMS products.

Revenue from other PC related products and components decreased by HK\$94.7 million or 31.9%, from HK\$297.0 million for the six months ended 30 June 2012 to HK\$202.3 million for the six months ended 30 June 2013. The decline was mainly resulted from other PC related products declined by HK\$76.6 million and trading components declined by HK\$18.1 million during the period under review.

### Gross Profit and Margin

The gross profit of the Group for the six months ended 30 June 2013 was HK\$225.4 million, representing an increase of HK\$2.0 million or 0.9% compared with HK\$223.4 million for the six months period ended 30 June 2012. Gross profit margin for the six months period ended 30 June 2013 increased by 1.3% from 8.6% for the six months ended 30 June 2012 to 9.9% for the six months period ended 30 June 2013. It was mainly attributable to the continuous

## MANAGEMENT DISCUSSION AND ANALYSIS

improvement in the Group's product mix, which reduced the overall material cost to revenue ratio by 2.0%, from 85.7% for the six months period ended 30 June 2012 to 83.7% for the six months ended 30 June 2013. However, resulted from increase in minimum wages in Dongguan and appreciation of the Renminbi, increment on conversion costs include labour, subcontracting charges and production overheads to revenue ratio increase by 0.7% from 5.7% for the six months ended 30 June 2012 to 6.4% for the six months ended 30 June 2013. The increase in conversion costs partially offset the product mix contribution and resulted in a net improvement of 1.3% in the gross profit margin.

### Profit for the period

The profit for the six months ended 30 June 2013 was HK\$29.0 million, representing an increase of HK\$6.5 million or 28.7% over the six months ended 30 June 2012. The increase in gross profit together with reduction of operating expenses have contributed to the increase in profit for the period.

Selling and distribution expenses increased by HK\$2.3 million or 5.4%, from HK\$42.8 million for the six months ended 30 June 2012 to HK\$45.1 million for the six months ended 30 June 2013. It was mainly due to increase in advertising and promotion activities on own brands products during the period under review.

Administrative expenses decreased by HK\$6.7 million or 4.6%, from HK\$147.2 million for the six months ended 30 June 2012 to HK\$140.5 million for the six months ended 30 June 2013. It was mainly resulted from cost reduction under the subsidiary in the United States, which generated savings on administrative expenses of HK\$6.3 million during the period under review.

Finance costs decreased by HK\$1.5 million or 22.2%, from HK\$7.1 million for the six months ended 30 June 2012 to HK\$5.6 million for the six months ended 30 June 2013. It was mainly resulted from sales volume decline, which relied less on bank borrowings during the period under review.

Income tax expenses increased by HK\$2.6 million or 39.5%, from HK\$6.7 million for the six months ended 30 June 2012 to HK\$9.3 million for the six months ended 30 June 2013. It was mainly contributed by the increase in operating profit for the Group and gross profit margin improvement under a Hong Kong entity.

### Profit Attributable to Shareholders and Dividends

The profit attributable to shareholders of the Group for the six months ended 30 June 2013 was HK\$29.0 million, representing an increase of HK\$6.5 million compared with the six months ended 30 June 2012. Net profit margin increased by 0.4% from 0.9% for the six months ended 30 June 2012 to 1.3% for the six months ended 30 June 2013.

Basic earnings per share was increased by HK 2 cents, to HK 7 cents for the six months ended 30 June 2013 as compared with HK 5 cents for the six months ended 30 June 2012. The Directors proposed an interim dividend of HK 2.5 cents per share for the six months ended 30 June 2013, which is estimated to be HK\$10.4 million in total.

## LIQUIDITY AND FINANCIAL RESOURCES

### Shareholders' Funds

Total shareholders' funds increased by HK\$18.4 million, from HK\$728.0 million as at 31 December 2012 to HK\$746.4 million as at 30 June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Position

The Group had total current assets of HK\$2,153.8 million as at 30 June 2013 and HK\$2,154.5 million as at 31 December 2012. The Group's total current liabilities amounted to HK\$1,516.4 million as at 30 June 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 30 June 2013.

The Group's cash and bank balances decreased from HK\$602.6 million as at 31 December 2012 to HK\$575.7 million as at 30 June 2013. Based on the borrowings of HK\$715.5 million as at 30 June 2013 and HK\$821.6 million as at 31 December 2012, and total equity of HK\$746.4 million as at 30 June 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 18.7% as at 30 June 2013. The decrease in gearing ratio was mainly attributable to lower level of bank borrowings for the six months ended 30 June 2013.

### Exposure to Fluctuation in Exchange Rates

As at 30 June 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 dollars and Renminbi. The Group managed certain of its exchange rate risk by entering into forward foreign exchange contracts and performance swap 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 operations and to minimise the Group's financial risks. The Group principally uses forward foreign exchange contracts and performance swap contracts 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 30 June 2013 were HK\$767.0 million, increased by HK\$69.1 million or 9.9% as compared with HK\$697.9 million as at 31 December 2012. It was mainly due to additional raw materials prepared for an EMS customer to support the business growth as at 30 June 2013. Therefore, inventory turnover days increased from 58 days for the year ended 31 December 2012 to 65 days for the six months ended 30 June 2013.

Trade receivables as at 30 June 2013 were HK\$773.9 million, decreased by HK\$62.6 million or 7.5% as compared with HK\$836.5 million as at 31 December 2012. Trade receivable turnover days increased from 59 days for the year ended 31 December 2012 to 64 days for the six months ended 30 June 2013.

Trade payables as at 30 June 2013 was HK\$607.2 million, increased by HK\$54.0 million or 9.8% as compared with HK\$553.2 million as at 31 December 2012. Trade payable turnover days decreased from 58 days for the year ended 31 December 2012 to 51 days for the six months ended 30 June 2013.

### Charge on Assets

As at 30 June 2013, bank deposit of HK\$0.3 million was pledged to bank to secure general banking facilities granted to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital Expenditure

For the six months ended 30 June 2013, the Group invested HK\$6.7 million in the purchase of property, plant and equipment. 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 30 June 2013, total capital commitments amounted to HK\$0.2 million, and there were no material contingent liabilities or off balance obligations.

### Significant Acquisitions and Disposals of Investments

Save for those disclosed in the condensed consolidated statement of financial position, there was no other significant investments held. During the period under review, 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 plans for material investments or acquisitions of capital assets as at 30 June 2013, but will actively pursue opportunities for investments to enhance its profitability in the ordinary course of its 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 30 June 2013, the Group has applied HK\$12.1 million on expansion of production facilities, HK\$13.6 million on promotion and development of new products and brand name, HK\$4.0 million on research and development, and HK\$5.0 million on ERP system upgrade project.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 4,562 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 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.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

#### Long Positions in Shares

Name of Director	Type of interest	Number of Shares held	Percentage of shareholding
Mrs. HO WONG Mary Mee-Tak	Beneficial owner	400,000	0.09%
	Interest in controlled corporations (Note)	132,350,000	31.70%
Mr. WONG Shik Ho Tony	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Beneficial owner	26,915,750	6.45%
Mr. LEUNG Wah Kan	Beneficial owner	21,250,500	5.09%
Mr. HO Nai Nap	Beneficial owner	19,984,538	4.79%
Mr. MAN Wai Hung	Beneficial owner	3,677,065	0.88%

Note: These 132,350,000 Shares are owned as to 54,850,000 Shares by Classic Venture International Inc. and 77,500,000 Shares by Perfect Choice Limited. As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in these 132,350,000 Shares under the SFO.

#### Long Positions in Share Options of the Company

Name of Director	Date of grant	Number of underlying shares	Percentage of shareholding
Mr. WONG Shik Ho Tony	14 December 2011	4,290,000	1.03%
Mr. WONG Fong Pak	14 December 2011	3,300,000	0.79%
Mr. LEUNG Wah Kan	14 December 2011	3,300,000	0.79%
Mr. HO Nai Nap	14 December 2011	1,200,000	0.29%
Mr. MAN Wai Hung	14 December 2011	1,200,000	0.29%

## OTHER INFORMATION

**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at the date of this report, the following parties with interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**Interest in the Company**

<b>Name</b>	<b>Long/ Short position</b>	<b>Type of interest</b>	<b>Number of Shares held</b>	<b>Percentage of shareholding</b>
Perfect Choice Limited	Long position	Beneficial owner (Note 1)	77,500,000	18.56%
Classic Venture International Inc.	Long position	Beneficial owner (Note 1)	54,850,000	13.14%
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	51,560,750	12.35%
Mr. WONG Fong Pak	Long position	Beneficial owner	26,915,750	6.45%
S.A.S. Investment Company Limited ("SAS Investment")	Long position	Beneficial owner (Note 2)	25,304,000	6.06%
S.A.S. Dragon Holdings Limited ("SAS Holdings")	Long position	Through controlled corporation (Note 2)	25,304,000	6.06%
Mr. Daniel KEARNEY	Long position	Beneficial owner	22,475,000	5.38%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	21,250,500	5.09%

Note 1: As the entire issued share capital of both Classic Venture International Inc. and Perfect Choice Limited are owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 132,350,000 Shares in aggregate held by Classic Venture International Inc. and Perfect Choice Limited under the SFO.

Note 2: SAS Investment is wholly-owned by SAS Holdings which is a company listed on the Stock Exchange. Hence, SAS Holdings is also deemed to be interested in 25,304,000 Shares held by SAS Investment under the SFO.

**SHARE OPTION SCHEME**

Pursuant to the written resolutions of the shareholders of the Company passed on 14 December 2011 (the "Resolutions"), the Company has adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") under which, share options were granted to directors (including non-executive directors), employees and consultants of the Group (the "Grantees"). The Pre-IPO Share Option Scheme was terminated on 24 December 2011. Upon termination of the Pre-IPO Share Option Scheme, no further share option was granted but in all other respects the provisions of the Pre-IPO Share Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme, and share options which were granted prior to such termination are continued to be valid and exercisable in accordance with the provisions of the Pre-IPO Share Option Scheme and their terms of issue.

As at 14 December 2011, options to subscribe for an aggregate of 31,990,000 shares of the Company, representing 7.66% of the issued share capital of the Company immediately following the completion of the offering (as defined in the Prospectus), at an exercise price of HK\$1.46 per share of the Company, have been granted pursuant to the Pre-IPO Share Option Scheme. Each of the Grantees has paid HK\$1 to the Company on acceptance of the offer for the grant of option.

## OTHER INFORMATION

Pursuant to the Resolutions, Grantees may exercise 50% of such options granted for three years commencing from the first anniversary of 12 January 2012 (the "Listing Date") of the Company and the remaining 50% for the period of three years commencing from the second anniversary of the Listing Date. The share-based payment in respect of such options is amortised over the vesting periods from 14 December 2011 to 11 January 2013 and 14 December 2011 to 11 January 2014 in accordance with the Group's accounting policy.

A summary of the movements of the outstanding share options during the six months ended 30 June 2013 were as follows:

Grantee	Options held as at 1 January 2013	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	Options held as at 30 June 2013
<b>Directors</b>					
Mr. WONG Shik Ho Tony	4,290,000	—	—	—	4,290,000
Mr. WONG Fong Pak	3,300,000	—	—	—	3,300,000
Mr. LEUNG Wah Kan	3,300,000	—	—	—	3,300,000
Mr. HO Nai Nap	1,200,000	—	—	—	1,200,000
Mr. MAN Wai Hung	1,200,000	—	—	—	1,200,000
<b>Others</b>					
Employees and consultants	18,300,000	—	925,000	—	17,375,000
Total	31,590,000	—	925,000	—	30,665,000

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.025 per share, totalling HK\$10,438,000 for the six months ended 30 June 2013 to be paid on 30 September 2013 (Monday) to shareholders whose names appear on the Company's register of members at the close of business on 13 September 2013 (Friday).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 September 2013 (Monday) to 18 September 2013 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim 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 13 September 2013 (Friday) for registration of the relevant transfer.

## 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 six months ended 30 June 2013.

## OTHER INFORMATION

**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 throughout the period under review.

**CORPORATE GOVERNANCE**

Throughout the six months ended 30 June 2013, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the “CG Code”), except for the deviation from code provision A.2.1 of the CG Code as described below.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the six months ended 30 June 2013, 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 strong and balance 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.

**AUDIT COMMITTEE**

The Company established an Audit Committee on 21 December 2011 with written terms of reference in compliance with the CG Code. 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, Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung. Mr. LAI Kin Jerome is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2013.

By order of the Board

**WONG Shik Ho Tony**

*Chairman*

Hong Kong, 23 August 2013

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Turnover	3, 4	2,278,858	2,599,830
Cost of sales		(2,053,424)	(2,376,382)
Gross profit		225,434	223,448
Other revenue and other gains and losses	5	4,043	3,576
Selling and distribution expenses		(45,093)	(42,767)
Administrative expenses		(140,492)	(147,175)
Listing expenses		—	(720)
Finance costs	6	(5,558)	(7,141)
Profit before income tax expense	7	38,334	29,221
Income tax expense	8	(9,338)	(6,696)
<b>Profit and total comprehensive income for the period</b>		<b>28,996</b>	22,525
<b>Profit and total comprehensive income attributable to the owners of the Company</b>		<b>28,996</b>	22,525
Earnings per share		HK\$	HK\$
— Basic and diluted	10	0.07	0.05

# CONDENSED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	78,830	90,361
Intangible assets		7,415	7,990
Other financial assets		20,992	20,992
Deferred tax assets		1,762	1,762
<b>Total non-current assets</b>		<b>108,999</b>	121,105
<b>Current assets</b>			
Inventories		766,989	697,921
Trade and other receivables	12	809,451	851,997
Derivative financial assets		1,308	1,308
Current tax recoverable		81	344
Pledged time deposits		310	310
Cash and cash equivalents		575,689	602,591
<b>Total current assets</b>		<b>2,153,828</b>	2,154,471
<b>Total assets</b>		<b>2,262,827</b>	2,275,576
<b>Current liabilities</b>			
Trade and other payables	13	781,510	713,594
Borrowings	14	715,466	821,539
Provisions	15	6,331	6,228
Obligations under finance leases		16	16
Derivative financial liabilities		3	3
Current tax liabilities		13,101	6,148
<b>Total current liabilities</b>		<b>1,516,427</b>	1,547,528
<b>Net current assets</b>		<b>637,401</b>	606,943
<b>Total assets less current liabilities</b>		<b>746,400</b>	728,048
<b>Non-current liabilities</b>			
Obligations under finance leases		34	42
<b>NET ASSETS</b>		<b>746,366</b>	728,006
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	16	41,752	41,752
Reserves		704,614	686,254
<b>TOTAL EQUITY</b>		<b>746,366</b>	728,006

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Equity attributable to owners of the Company								
	Share capital	Share premium	Translation reserve	Merger reserve	Other reserve	Legal reserve	Share-based payment reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	33,052	—	(25)	6,702	21,771	190	593	514,798	577,081
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	22,525	22,525
Issuance of shares	8,700	130,500	—	—	—	—	—	—	139,200
Share issue expenses	—	(11,169)	—	—	—	—	—	—	(11,169)
Dividends approved in respect of the previous year (Note 9)	—	—	—	—	—	—	—	(33,401)	(33,401)
Equity settled share-based transactions	—	—	—	—	—	—	5,877	—	5,877
At 30 June 2012 (unaudited)	41,752	119,331	(25)	6,702	21,771	190	6,470	503,922	700,113
At 1 January 2013	<b>41,752</b>	<b>119,331</b>	<b>482</b>	<b>6,702</b>	<b>21,771</b>	<b>1,128</b>	<b>12,478</b>	<b>524,362</b>	<b>728,006</b>
Profit and total comprehensive income for the period	—	—	—	—	—	—	—	28,996	28,996
Dividends approved in respect of the previous year (Note 9)	—	—	—	—	—	—	—	(12,526)	(12,526)
Equity settled share-based transactions	—	—	—	—	—	—	1,890	—	1,890
At 30 June 2013 (unaudited)	<b>41,752</b>	<b>119,331</b>	<b>482</b>	<b>6,702</b>	<b>21,771</b>	<b>1,128</b>	<b>14,368</b>	<b>540,832</b>	<b>746,366</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	8,573	(258,639)
Net cash (used in)/generated from investing activities	(5,305)	4,277
Net cash (used in)/generated from financing activities	(30,170)	68,819
Net decrease in cash and cash equivalents	(26,902)	(185,543)
Cash and cash equivalents at beginning of period	602,591	717,396
Effect of exchange rate changes on cash and cash equivalents	—	(1)
Cash and cash equivalents at end of period	575,689	531,852

# NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements have been prepared under the historical cost convention modified by the revaluation of certain financial instruments.

The accounting policies adopted for preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2012 (the “Annual Financial Statements”), except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) (which in collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee of the Company.

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

In the current period, the Group has adopted all the new and revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA that are relevant to its operation and effective for its accounting period beginning on 1 January 2013. The adoption of the new HKFRSs had no material changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application. However, it is not yet in a position to state whether they would have a material impact on the Group’s results of operations and financial position.

## 3. TURNOVER

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended 30 June 2013

#### 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

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

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Asia Pacific ("APAC")	1,012,480	1,014,218
North and Latin America ("NALA")	356,281	264,565
People's Republic of China ("PRC")	484,059	420,728
Europe, Middle East, Africa and India ("EMEA")	426,038	900,319
	<b>2,278,858</b>	2,599,830

##### (c) Revenue from major products and services

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

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Video graphics cards	1,570,995	1,556,526
Electronics manufacturing services	505,522	746,277
Other PC related products and components	202,341	297,027
	<b>2,278,858</b>	2,599,830

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 4. SEGMENT REPORTING (CONTINUED)

#### (d) Information about major customers

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

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Customer A (Note b)	N/A	261,772
Customer B (Note c)	N/A	349,149

Notes:

- (a) No revenue from customers contribute 10% or more of the Group's revenue during the period.
- (b) Revenue from this customer was derived mainly from sales of video graphics cards in the PRC.
- (c) Revenue from this customer was derived from rendering of electronics manufacturing services in the EMEA region.

### 5. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Interest income	879	970
Net exchange gains/(losses)	165	(15)
Net gains on derivative financial instruments	541	1,170
Sundry income	2,458	1,451
	<b>4,043</b>	3,576

### 6. FINANCE COSTS

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Interest on bank advances and other borrowings wholly repayable within five years	5,558	7,141

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended 30 June 2013

## 7. PROFIT BEFORE INCOME TAX EXPENSE

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

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Inventories recognised as expense	2,038,750	2,371,387
Provision for obsolete inventories	14,674	4,995
<b>Cost of sales</b>	<b>2,053,424</b>	<b>2,376,382</b>
Staff costs (Note)	176,954	167,102
Auditor's remuneration	295	298
Depreciation of property, plant and equipment	18,251	18,130
Amortisation of intangible assets	575	864
Provision/(reversal of provision) for impairment losses on trade and other receivables	492	(6)
Operating lease payments on plant and machinery	27	226
Operating lease payments on premises	15,997	14,919
Property, plant and equipment written off	5	12
Provision for product warranties and returns (Note 15)	103	6,726

Note: Staff costs consist of share-based payment of HK\$1,890,000 for the six months ended 30 June 2013 (2012: HK\$5,877,000).

## 8. INCOME TAX EXPENSE

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

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Current tax — Hong Kong — provision for the period	9,061	5,048
Current tax — PRC — provision for the period	242	1,644
Current tax — Korea and Germany — provision for the period	15	—
— under provision in respect of prior period	20	4
<b>Income tax expense</b>	<b>9,338</b>	<b>6,696</b>

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 8. INCOME TAX EXPENSE (CONTINUED)

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 six months ended 30 June 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 since last year and the applicable PRC enterprise income tax rate is 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 six months ended 30 June 2013.

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

### 9. DIVIDEND

Dividend paid and payable by the Company for the six months ended 30 June 2013 and 2012 as disclosed in the condensed consolidated statement of changes in equity were as follows:

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Final dividend at HK\$0.03 (2012: HK\$0.08) per share in respect of the previous financial year declared	<b>12,526</b>	33,401

The directors of the Company recommend the payment of an interim dividend of HK\$0.025 (2012: HK\$0.02) per share, totalling HK\$10,438,000 for the six months ended 30 June 2013 (2012: HK\$8,350,000).

### 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2013 and 2012 is based on the profit attributable to the owners of the Company and assuming the shares were in issue during the current and prior periods, calculated as follows:

#### Earnings

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share	<b>28,996</b>	22,525

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended 30 June 2013

## 10. EARNINGS PER SHARE (CONTINUED)

### Number of shares

	30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>417,518,668</b>	412,260,426

The basic and diluted earnings per share for the respective periods are equal because the exercise price of the Company's share options was higher than the average market price for shares for both 2013 and 2012.

## 11. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, additions to property, plant and equipment amounted to HK\$6,725,000 (2012: HK\$8,792,000) and write off of property, plant and equipment with net book value amounted to HK\$5,000 (2012: HK\$12,000).

## 12. TRADE AND OTHER RECEIVABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Trade receivables	<b>782,739</b>	844,834
Less: Accumulated impairment losses	<b>(8,841)</b>	(8,354)
	<b>773,898</b>	836,480
Other receivables	<b>8,439</b>	1,392
Deposits and prepayments	<b>27,114</b>	14,125
	<b>809,451</b>	851,997

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Within 1 month	321,347	398,743
Over 1 month but within 3 months	349,201	385,110
Over 3 months but within 1 year	102,250	50,198
Over 1 year	1,100	2,429
	<b>773,898</b>	836,480

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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Within 1 month	162,674	230,922
Over 1 month but within 3 months	64,166	88,219
Over 3 months but within 1 year	73,850	13,181
Over 1 year	715	2,233
	<b>301,405</b>	334,555

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended 30 June 2013

### 13. TRADE AND OTHER PAYABLES

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Trade payables	607,163	553,223
Other payables and accruals	161,821	160,371
Dividend payables	12,526	—
	<b>781,510</b>	713,594

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:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Within 1 month	303,931	225,699
Over 1 month but within 3 months	254,032	291,596
Over 3 months but within 1 year	45,984	32,900
Over 1 year	3,216	3,028
	<b>607,163</b>	553,223

### 14. BORROWINGS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Import loans — secured	679,491	767,928
Bank loans — secured	34,895	48,411
Discounted bills and factoring loans	1,080	5,200
	<b>715,466</b>	821,539

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 14. BORROWINGS (CONTINUED)

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

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
On demand or within one year	700,593	797,374
Due after one year		
More than one year, but not exceeding two years	11,248	16,915
More than two years, but not exceeding five years	3,625	7,250
	<b>14,873</b>	24,165
	<b>715,466</b>	821,539

- (i) At 30 June 2013, the above borrowings bear interest at interest rates ranging from 1.3% per annum plus bank's cost of funds (2012: 1.3% per annum plus bank's cost of funds) to 2.75% per annum plus 1 month HIBOR (2012: 2.75% per annum plus 1 month HIBOR).
- (ii) The Group's banking facilities are secured by bank deposits of HK\$310,000 (2012: HK\$310,000).
- (iii) The discounted bills and factoring loans 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 condensed consolidated statement of financial position.

### 15. PROVISIONS

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
<b>Provision for product warranties and returns</b>		
At the beginning of the period/year	6,228	7,894
Additional provision made	406	7,904
Utilised	(303)	(9,570)
Net movement for the period/year	<b>103</b>	(1,666)
At the end of the period/year	<b>6,331</b>	6,228

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
For the six months ended 30 June 2013

### 15. PROVISIONS (CONTINUED)

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

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

### 16. SHARE CAPITAL

	30 June 2013 Number      HK\$'000 (Unaudited)		31 December 2012 Number      HK\$'000	
Authorised:				
Ordinary shares of HK\$0.1 each	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	417,518,668	41,752	330,518,668	33,052
Shares issued under initial public offering (Note)	—	—	87,000,000	8,700
At end of the period/year	417,518,668	41,752	417,518,668	41,752

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.

### 17. OPERATING LEASE ARRANGEMENTS (AS LESSEE)

The Group leases the majority of its properties. The terms of property leases vary from country to country, although they all tend to be tenant repairing with rent reviews every 1 to 8 years and many have break clauses.

The total future minimum lease payments under non-cancellable operating leases are due as follows:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Within one year	32,688	30,905
After one year but within five years	82,695	93,577
	115,383	124,482

## NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 18. CAPITAL COMMITMENTS

As at 30 June 2013 and 31 December 2012, the Group had the following capital commitments in respect of:

	30 June 2013 HK\$'000 (Unaudited)	31 December 2012 HK\$'000
Contracted for acquisition of property, plant and equipment but not provided	<b>165</b>	1,789

### 19. RELATED PARTY DISCLOSURES

During the period, the Group entered into the following significant transactions with its related parties:

	30 June 2013 HK\$'000 (Unaudited)	30 June 2012 HK\$'000 (Unaudited)
Related companies owned by the directors of the Company – rent (Note)	<b>360</b>	310
Non-controlling shareholders of a subsidiary – rent (Note)	<b>63</b>	58
Director of the Company – rent (Note)	<b>63</b>	58

Note: Rental expenses were charged according to the agreements.

The directors are of the opinion that these transactions were conducted in normal business terms and in the ordinary course of business.