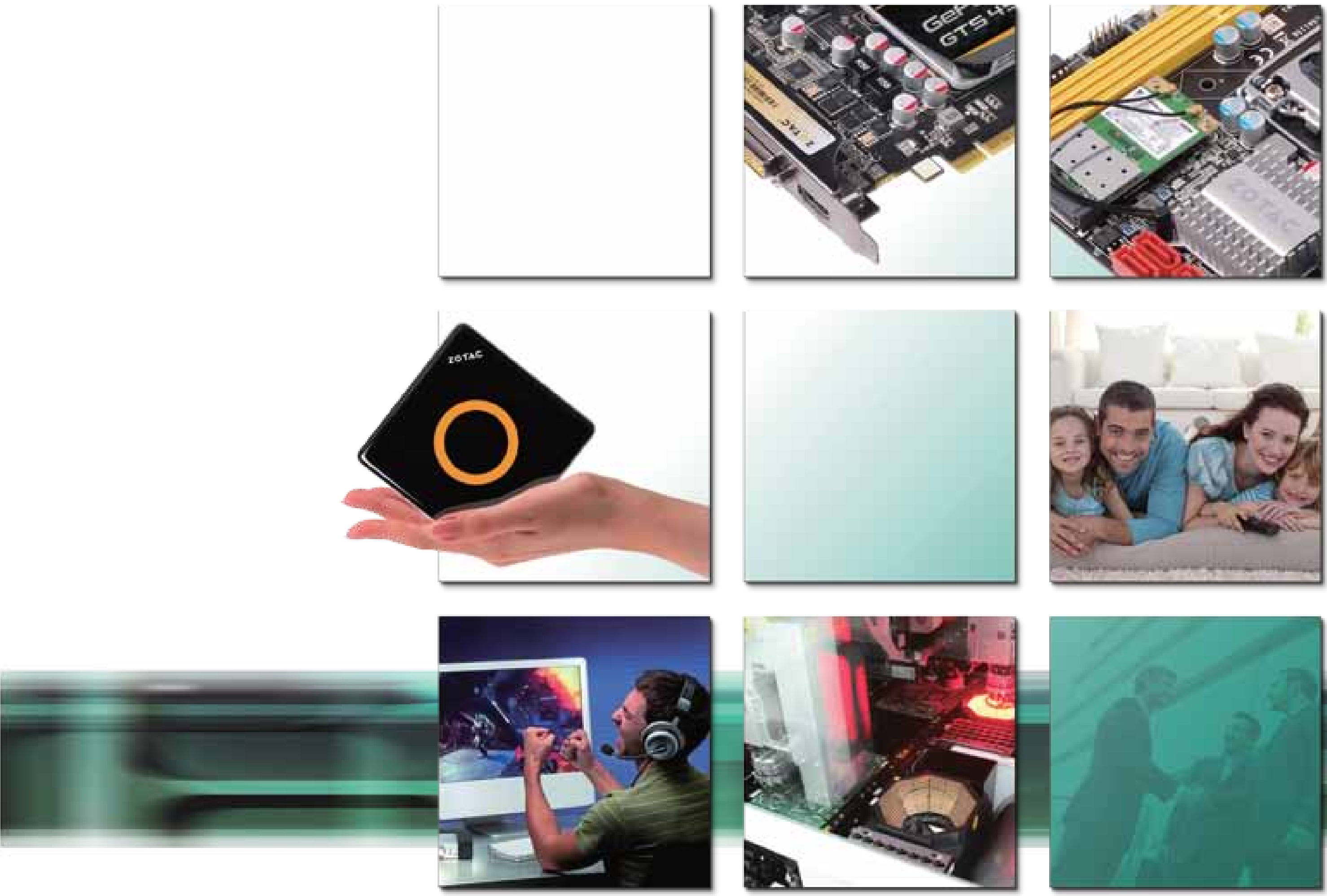
PC Partner

Annual Report 2011



BRINGING VISION TO LIFE

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

Contents

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 Directors

Mrs. HO WONG Mary Mee-Tak
Mr. CHIU Wing Yui

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 Road
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

WEBSITE

www.pcpartner.com

Chairman's Statement

DEAR SHAREHOLDERS,

This is my first report to you as Chairman of the Company following the successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited on 12 January 2012.

PERFORMANCE

The Group achieved sales of HK$5,969 million — an increase of 7% compared to last year. Video graphics cards, the Group's largest business segment, recorded sales of HK$3,859 million — a decrease of 11% compared to last year, which was mainly resulted from a decline on market demand due to a lack of sufficient new graphics processing units ("GPU") introduced to the market. Slow economic activities and the European debt crisis have threatened consumer sentiment and spending, we still maintained our strength on video graphics cards and successfully expanded our own branded video graphics cards business with a 10% growth rate in 2011. The Group has continued to develop both the electronic manufacturing services ("EMS") and other PC related products and components segments with growth rates of 91% and 37% respectively in the year.

Our profit for the year has declined by 38% to HK$73 million this year from HK$117 million last year. The significant change was due to two non-recurring items, namely listing expenses of HK$19 million incurred in 2011 and the receipt of dividends from an unlisted available-for-sale investment of HK$31 million in 2010. For comparative purposes, after excluding the non-recurring items, the profit increased by 7% from HK$86 million last year to HK$92 million this year.

The Board has proposed a final dividend of HK$0.08 per share.

COMPETITIVE EDGE

Since the establishment of the Group in 1997, our focus is primarily on computer products and accessories design and manufacturing. We pride on our manufacturing capability, engineering expertise and technical know-how accumulated over the years. The success of the Group's business is attributable to the high quality products manufactured, which are testimonial to the product design, product development and engineering skills possessed by the Group's research and development team. Our strategic partnership with key customers and suppliers, including AMD and NVIDIA, who are the key technology providers of discrete GPUs in the market, also enables us to maintain our position as one of the leading manufacturers in the industry. We believe that our own brands, namely Zotac, Inno3D and Manli, and their established global distribution channels would set out an important roadmap for our future business expansions.

Chairman's Statement

OUTLOOK

Looking ahead, China, India and other emerging countries are becoming key markets for new, replacement and upgrade video graphics cards as their increasing consumer wealth drives personal and business consumption. In view of these opportunities, the Group will continue its current strategy of strengthening design, development and engineering capabilities, expanding manufacturing capacity, and enhancing brand image as well as improving profit margin by increase on production efficiency, enhance the business relationships with suppliers and customers, and improve working capital efficiency. We would also foresee further opportunities on the EMS and other PC related products segments.

Overall, barring unforeseen circumstances, we remain confident in its business outlook and optimistic about the prospects of our business going forward with our demonstrated moderate growth in revenue in a tough year as 2011. With the unwavering support of our employees and shareholders, the Group will continue to serve investors with ever greater effort, sincerity and pragmatism.

On behalf of my fellow Directors, I wish to express our sincere appreciation to all employees for their dedication and contribution over the past years.

WONG Shik Ho Tony
Chairman

Hong Kong, 26 March 2012

Management Discussion and Analysis

INTRODUCTION

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

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

BUSINESS REVIEW

General Performance

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

Management Discussion and Analysis



Video graphics cards are the core business of the Group. The Group manufactures video graphics cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") customers and also manufactures and markets video graphics cards under its own ZOTAC, Inno3D and Manli brands. The relationships with NVIDIA and AMD, the two globally dominant Graphics Processing Unit ("GPU") suppliers, enable the Group to develop cost competitive, high performance products and solutions.

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

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

As at 31 December 2011, the Group operated two factories with a total factory floor area of approximately 150,000 sq.m. and a total of 43 Surface Mount Technology ("SMT") lines, 1 Chip-On-Board ("COB") line and 24 assembly and testing lines. The Group prides itself on its research and development expertise, accumulated know-how and innovation in video graphics cards and electronic products. As at 31 December 2011, the Group's research and development team consisted of 127 engineers in Hong Kong, Shenzhen, Dongguan and Taiwan.

Business in the Europe, Middle East and Africa ("EMEAI") and Asia Pacific ("APAC") regions

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

Business in the NALA and the PRC regions

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

FINANCIAL REVIEW

Revenue

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

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

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

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

Management Discussion and Analysis

Cost of Sales

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

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

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

Video Graphics Card

Electronic Manufacturing Services

Computer Related Products

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

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

Direct labour cost increased by approximately HK$12 million, or 16%, from approximately HK$135 million in 2010 to approximately HK$156 million in 2011. The increase was due to increase of regulatory monthly minimum wage in Dongguan from RMB770 to RMB920 per head in May 2010 and then to RMB1,100 in March 2011, together with appreciation of the Renminbi, offset by the Group's improvement production efficiency.

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

The subcontracting charges reduced by approximately HK$33 million, or approximately 56%, from approximately HK$59 million in 2010 to approximately HK$26 million in 2011, which was mainly due to a decrease in video graphics cards orders and the increasing capacity for in-house production as a result of the improved productivity from the reconfiguration of SMT lines and the addition of plants and machinery.

Gross Profit and Gross Profit Margin

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

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

Management Discussion and Analysis

Gross profit margin from sale of video graphics cards after material cost increased from 12.4% in 2010 to 13.2% in 2011 which contributed approximately HK$31 million gross profit after material cost. This was mainly resulted from increase on gross profit margin after material costs in own brands video graphics cards from 7.6% in 2010 to 9.8% in 2011 which was driven by higher average selling price on the own brands video graphics cards sold for the year. The gross profit margin after material cost from sale of ODM/OEM contract manufacturing based video graphics cards was declined by approximately HK$86 million from approximately HK$411 million in 2010 to approximately HK$325 million in 2011. Gross profit after material cost declined on ODM/OEM contract manufacturing based video graphic cards has been partially offset by the improvement on gross profit after material cost on own brands video graphics cards. Gross profit after material cost on EMS has been increased by approximately HK$52 million from HK$146 million in 2010 to HK$198 million in 2011. Gross profit margin from EMS after material cost was decreased from approximately 19.4% in 2010 to approximately 13.8% in 2011. This was mainly due to the Internet Media Tablet customer opting for turnkey manufacturing since second half year in 2010 which has driven the material cost ratio to sales up by 5.6% on EMS business. Gross profit after material cost on other PC related products and components increased by approximately HK$9 million from HK$79 million in 2010 to HK$88 million in 2011. Gross profit margin from sale of other PC related products and components after material costs decreased from approximately 16.0% in 2010 to 13.1% in 2011 was mainly due to the effect of the decrease in the Zotac PC related products gross profit margin as a result of strong price competition in the sector.

Other Revenue and Other Gains and Losses

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Listing Expenses

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

Finance Costs

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

Income Tax Expense

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

Profit for the Year

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

Profit Attributable to the Owners of the Company

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group has total current assets of approximately HK$2,420 million in 2011 and approximately HK$2,581 million in 2010 and total current liabilities of approximately HK$1,971 million in 2011 and approximately HK$2,136 million in 2010. The Group's current ratio, defined as total current assets over total current liabilities, remained stable at 1.2 for both 2011 and 2010.

The Group's cash and bank balances increased from approximately HK$685 million in 2010 to approximately HK$717 million in 2011. Based on the borrowings of approximately HK$814 million in 2011 and approximately HK$935 million in 2010 and total equity of approximately HK$577 million in 2011 and approximately HK$570 million in 2010, the Group's gearing ratio (being net debts divided by total equity) has reduced from 44% in 2010 to 17% in 2011. The decrease in gearing ratio was mainly resulted from the net impact of lower level of bank borrowings and the higher cash and cash equivalent level on hand, of which was driven by successful reduction on inventory level on hand.

CAPITAL STRUCTURE

Pursuant to the Reorganisation as stated in note 1 to the consolidated financial statements, the Company allotted and issued in aggregate 330,518,665 shares to the shareholders of PC Partner Holdings Limited on 21 December 2011 credited as fully paid in such proportion as shall mirror their shareholding proportion in PC Partner Holdings Limited's shares such that the shareholding structure of PC Partner Holdings Limited is replicated at the Company level.

Save as disclosed above, there is no material change in capital structure of the Company during the year.

EXPOSURE TO FLUCTUATION IN INTEREST RATES

The Group had borrowings amounting to approximately HK$814 million issued at variable rates with effective interest rate ranging from 1.34% to 1.59% per annum in 2011, of which may expose the Group to cash flow interest rate risk. The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

For the years ended 31 December 2011 and 2010, the Group is exposed to currency risk primarily through sales and purchases that are denominated in currency 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 manages certain of its exchange rate risk by entering into forward foreign exchange contracts and performance swap contracts.

CHARGE ON ASSETS

At 31 December 2011 and 2010, bank deposit of approximately HK$7 million was pledged to a bank to secure general banking facilities granted to the Group.

CAPITAL COMMITMENTS

At 31 December 2011, the Group had contracted for acquisition of property, plant and equipment but not provided amounting to approximately HK$2 million.

CONTINGENT LIABILITIES

At 31 December 2011, the Group did not have any contingent liabilities.

SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

Save for those disclosed in the Consolidated Statement of Financial Position, there were no other significant investment held. During the year, there were acquisition of additional interests in subsidiaries and disposal of a subsidiary, details of which are disclosed in note 36 and note 37 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

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

Corporate Governance Report

The Directors recognise the importance of incorporating elements of good corporate governance in the management structure and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of the Company and its shareholders and devote considerable efforts to identifying and formalising best practice.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. For the year ended 31 December 2011, 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 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, 2 Non-executive Directors and 3 Independent Non-executive Directors and therefore has sufficient independent elements in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Since the Listing Date, 3 Board meetings were held and the attendance of each Director is set out below:

Directors	Number of Attendance
Executive Directors	
Mr. WONG Shik Ho Tony	3/3
Mr. WONG Fong Pak	3/3
Mr. LEUNG Wah Kan	3/3
Mr. HO Nai Nap	3/3
Mr. MAN Wai Hung	3/3
Non-Executive Directors	
Mrs. HO WONG Mary Mee-Tak	3/3
Mr. CHIU Wing Yui	3/3
Independent Non-executive Directors	
Mr. IP Shing Hing	3/3
Mr. LAI Kin Jerome	3/3
Mr. CHEUNG Ying Sheung	3/3

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that the Independent Non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from the Listing Date unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment for a term of 3 years with the Company commencing from the Listing Date unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 108 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 112 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a causal vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.

BOARD COMMITTEES

The Board has established three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with terms of reference to assist them in the efficient implementation of their functions.

Audit Committee

The Company has established the Audit Committee on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group as well as to provide advice and comments to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. LAI Kin Jerome, Mr. IP Shing Hing and Mr. CHEUNG Ying Sheung. Mr. LAI Kin Jerome is the chairman of the Audit Committee.

Since the Listing Date, 4 Audit Committee meetings were held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. LAI Kin Jerome	4/4
Mr. IP Shing Hing	4/4
Mr. CHEUNG Ying Sheung	4/4

Remuneration Committee

The Company has established the Remuneration Committee on 21 December 2011 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendations to our Board on the remuneration policies and structure of the remuneration for the Directors and senior management and to set up a formal and transparent procedure for determination of such remuneration policies and structure. The Remuneration Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony. Mr. IP Shing Hing is the chairman of the Remuneration Committee.

Since the Listing Date, 1 Remuneration Committee meeting was held and the attendance of each committee member is set out below:

Member	Number of Attendance
Mr. IP Shing Hing	1/1
Mr. LAI Kin Jerome	1/1
Mr. CHEUNG Ying Sheung	1/1
Mr. WONG Shik Ho Tony	1/1

Nomination Committee

The Company established the Nomination Committee on 21 December 2011 with written terms of reference. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The Nomination Committee consists of four members, comprising three Independent Non-executive Directors, namely Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung and one Executive Director namely Mr. WONG Shik Ho Tony. Mr. IP Shing Hing is the chairman of the Nomination Committee.

The Nomination Committee has not held any meeting since the Listing Date.

NON-COMPETITION UNDERTAKING

The Independent Non-executive Directors have reviewed the confirmation given by Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited, the controlling shareholders of the Company, pursuant to which each of Mrs. HO WONG Mary Mee-Tak, Classic Venture International Inc. and Perfect Choice Limited has confirmed that, for the year ended 31 December 2011, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition deed dated 21 December 2011 as disclosed in the prospectus of the Company dated 29 December 2011.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group in accordance with accounting principles generally accepted in Hong Kong. The statement by the Auditor of the Company about their responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern.

COMPLIANCE ADVISER

For the purpose of and in compliance with Rule 3A.19 of the Listing Rules, the Company has appointed WAG Worldsec Corporate Finance Limited as its Compliance Adviser for the period commencing from the Listing Date and ending on the date of dispatch of the annual report of the Company containing its financial results for the full year ending 31 December 2013.

AUDITOR'S REMUNERATION

BDO Limited is the auditor of the Company. The audit fee of the Group for the year ended 31 December 2011 was approximately HK$1,485,000.

INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework and reporting to the Board and Audit Committee on its material findings.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.pcpartner.com as a channel to facilitate effective communication with the shareholders.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 52, was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director and Chief Executive Officer* on 24 January 2011 and was a co-founder of the Group in May 1997. He is also a member of each of the remuneration committee and the nomination committee of the Board. Mr. WONG is responsible for the overall strategic management and corporate development of the Group. He directly oversees the Group's finance and administration functions as well as the sales and marketing functions of the Group's video graphics cards, motherboards and notebooks businesses. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked as a general manager at VTech Computers Limited. Mr. WONG was conferred a Bachelor of Science degree in Electronics & Electrical Engineering by the University of Swansea, South Wales, the United Kingdom in 1982.

Mr. WONG Fong Pak, aged 62, was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director and Executive Vice President* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. WONG is responsible for managing the Group's materials management function and sales and business development function of the Group's EMS business. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, Mr. WONG worked as purchasing manager at VTech Computers Limited.

Mr. LEUNG Wah Kan, aged 53, was appointed as a *Director* on 1 April 2010 and re-designated as an *Executive Director and Chief Operation Officer* on 24 January 2011 and a co-founder of the Group in May 1997. Mr. LEUNG is responsible for the strategic management of the Group's manufacturing operations in China and the product design and development engineering activities of the Group. He also sits on the boards of various companies within the Group. Prior to co-founding the Group in 1997, he worked at VTech Computers Limited for more than 14 years, serving in various capacities from a testing engineer to a general manager. Mr. LEUNG was conferred a Bachelor of Science in Engineering degree in 1981 by the University of Hong Kong.

Mr. HO Nai Nap, aged 56, was appointed as an *Executive Director* on 24 January 2011 and is the founder of ASK Technology Limited ("ASK Technology") in 1989. Mr. HO is now the general manager and managing director of ASK Technology Group Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("ASK Group"). He is responsible for the general management, including product and sales of ASK Group. He also sits on the boards of various companies within the Group. Before founding ASK Technology, Mr. HO worked for Plantronics Inc., Compression Labs Inc., Texas Instruments Hong Kong Ltd. and Telefunken Electronic Far East Ltd.. Mr. HO was conferred a Bachelor of Science in Electrical and Computer Engineering degree in 1980 and a Master of Science degree in 1982 by the Oregon State University. He is a registered Professional Engineer in Electrical Engineering in California, the United States of America.

Mr. MAN Wai Hung, aged 46, was appointed as an *Executive Director* on 24 January 2011 and is the co-founder of Manli Technology Co. Limited in 1996. Since 2008, Mr. MAN has been the managing director of Manli Technology Group Limited, a wholly-owned subsidiary of the Company and is in charge of functions of sales and marketing, and business development. He was conferred a Bachelor of Arts degree in 1988 by the University of Hong Kong.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mrs. HO WONG Mary Mee-Tak, aged 62, was appointed as a *Non-executive Director* on 24 January 2011. Mrs. HO was the wife of the late Mr. HO Hin Wun Bosco, a co-founder of the Group. Mrs. HO also sits on the boards as non-executive director of other companies within the Group. She completed a three-year program of study in interior design at Ryerson Polytechnical Institute in 1972.

Mr. CHIU Wing Yui, aged 47, was appointed as a *Non-executive Director* on 24 January 2011. Mr. CHIU is also an alternate director to Mrs. HO WONG Mary Mee-Tak for various companies within the Group. Mr. CHIU was conferred a Bachelor of Science degree in Computer Science in 1993 by the University of Wales. After graduation, Mr. CHIU worked for B.S.C. Building Materials Supply Company Limited as a system support supervisor. Mr. CHIU was conferred a Bachelor of Chinese Medicine degree in 2008 by the Hong Kong Baptist University. He is now a registered Chinese medicine practitioner.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, aged 56, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the remuneration committee and the nomination committee of the Board and a member of the audit committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons.) Degree in 1978 by the University of Hong Kong and a Master of Arts degree in Arbitration and Alternative Dispute Resolution in 2005 by the City University of Hong Kong. He is a solicitor and notary public of Hong Kong, China-appointed Attesting Officer and Justice of the Peace. He has been a practicing solicitor in Hong Kong for more than 20 years. He is currently serving as an independent non-executive director on the board of Far East Hotels and Entertainment Limited and Binhai Investment Company Limited, both being companies listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is enthusiastic in community activities, which include serving as the President of The Law Society of Hong Kong (2002-2004), council member of the Association of China-Appointed Attesting Officers Limited, a committee member and standing committee member of the Hong Kong Chinese General Chamber of Commerce (since 1988), director of Ocean Park Corporation (March 2006 to February 2012), member of Hong Kong Housing Authority (April 2007 to June 2012) and chairman of Appeal Board (Amusement Game Centres) since 30 May 2010.

Mr. LAI Kin Jerome, aged 63, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and the nomination committee of the Board. Mr. LAI graduated in 1974 from the University of Toronto with a Bachelor of Commerce degree and is a member of the Hong Kong Institute of Certified Public Accountants and a chartered accountant of The Institute of Chartered Accountants of Ontario. Mr. LAI has over 30 years of experience in accounting and management. Mr. LAI was a non-executive director of SPG Land (Holdings) Limited between January 2009 to December 2011, a company listed on the Stock Exchange. He also served as chief financial officer and executive director at SPG Land (Holdings) Limited between 2006 and 2008. Mr. LAI was senior vice president of the finance, treasury and administration functional unit of Hong Kong Exchanges and Clearing Limited between 2000 and 2003; and an executive director of the finance and management services division of the Stock Exchange between 1997 and 2000.

Mr. CHEUNG Ying Sheung, aged 58, was appointed as an *Independent Non-executive Director* on 24 January 2011. He is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Board. Mr. CHEUNG graduated from Imperial College of Science and Technology, University of London with a Bachelor of Science (Engineering) degree in 1973 and a Doctor of Philosophy degree in 1978. He joined the University of Hong Kong (the "University") in 1980 and is currently a professor at the Department of Electrical and Electronic Engineering and the Director of Technology Transfer of the University. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000. He was seconded from the University between 2002 and 2004 to the Hong Kong Government as the Policy Advisor of the Innovation and Technology Commission. He is a chartered IT professional and fellow of the BCS, Chartered Institute for IT, and a senior member of the Institute of Electrical and Electronics Engineers ("IEEE"). He is also a director of the IEEE Foundation.

SENIOR MANAGEMENT

Mr. KWONG Kwok Kuen, aged 51, is *Director of Sales — EMEAI Region,* responsible for the Group's sales and marketing of motherboards, video graphics cards and consumer electronic products in European regions. Mr. KWONG has extensive experience in electronics industry. Prior to joining the Group in January 2005, he served as executive director of Silver Star Technology Limited and as general manager of the Hong Kong office of Norsk Data International Limited. Mr. KWONG graduated with a Higher Certificate in Electronic Engineering from the Hong Kong Polytechnic University.

Mr. KONG Chun Kwok Bruce, aged 52, is *Director of Sales — APAC and NALA Regions,* responsible for the Group's channel segment sales and marketing of ZOTAC motherboards and video graphics cards in the APAC and NALA regions. Mr. KONG holds a Higher Certificate from Hong Kong Polytechnic University. He joined the Group in April 2005.

Mr. CHOW Hon Fat, aged 44, is *Director of Program Management — Graphics,* responsible for account servicing and program management of the Group's video graphics cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. CHOW was a production and material control manager of VTech Computers Limited.

Mr. WONG Man Fai, aged 50, is *Director of Product Department,* responsible for product marketing of the ZOTAC video graphics cards of the Group. Mr. WONG has over 20 years' experience in the electronic sector and in the product marketing, logistic, purchasing and inventory control functions. He holds a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University and a Diploma in Management Studies from Hong Kong Polytechnic University and Hong Kong Management Association. He joined the Group in July 2006.

Mr. LAM Kwok Ling, aged 55, is *General Manager,* responsible for the Group's EMS manufacturing operations in China. He joined the Group in December 2011. Mr. LAM has more than 20 years' experience in the electronics and EMS industry. Prior to joining the Group, he has worked for Sanmina-SCI (China) Ltd., Philips Electronics Hong Kong Ltd., Wong's Electronics Co., Ltd., MiniScribe (HK) Ltd., Herald Datanetics Ltd., Mattel Electronics (HK) Ltd., Atlas Electronics Co., Ltd., Chen Hsong Machinery Co., Ltd., etc. in various senior operation, QA and engineering management positions.

Directors and Senior Management

Mr. LAI Shui Wah, aged 58, is *General Manager,* responsible for the Group's Tian Pei manufacturing operations in China. He joined the Group in September 1997. Mr. LAI has more than 20 years' experience in the electronics and computer industry. Prior to joining the Group in 1997, he has worked for VTech Computers Limited, Fairchild Semiconductor (Hong Kong) Limited, Digital Equipment International Limited and Ampex Ferrotec Limited. Mr. LAI holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic University.

Mr. HUANG Chia Pao, aged 46, is *Director of Product of Motherboard Business* of the Group, responsible for the motherboard business of the Group. Mr. HUANG joined the Group in August 2009. Prior to that, he held various product development and management positions in computer hardware companies such as Abit Computer Corp., DFI San Jose and OCZ Technology Group, Inc. in Taiwan and the US. Mr. HUANG holds a Bachelor of Business Administration degree from the National Chung Hsing University in Taiwan.

Mr. CHEUNG Pui Kuen, aged 51, is *Director of Procurement*, responsible for the Group strategic procurement function. Mr. CHEUNG has over 20 years' experience in purchasing, material and operation management. Prior to joining the Group in April 2011, he has worked for Karrie Industrial Co., Ltd., Johnson Electric International Ltd., Lafe Management Services Ltd., AST Research (Far East) Ltd., Longford Industrial Ltd. and Integrated Display Technology Ltd..

Mr. WONG Chi Wah, aged 53, is *Chief Human Resources and Administration Officer*, responsible for the Group's overall human resources, legal and general administration functions. Before joining the Group in September 2007, Mr. WONG has worked for Motorola Semiconductors Hong Kong Limited, Elec & Eltek Company Limited and the Wharf (Holdings) Limited. He holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Science degree in Engineering Business Management from the University of Warwick in the UK.

Mr. LAU Ka Lai Gary, aged 42, is *Chief Financial Officer*, responsible for overall financial, accounting and MIS functions of the Group. He joined the Group in October 2010. He is a member of American Institute of Certified Public Accountants. Mr. LAU graduated from the University of Windsor, Canada, with a Bachelor of Commerce degree and the University of Western Ontario, Canada, with a Bachelor of Science degree. He also holds a Master of Business Administration and a Master in Business Systems. Prior to joining the Group, he has worked for Rolex (Hong Kong) Limited, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu.

Report of the Directors

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, development and manufacturing of video graphics cards. The Group also provides Electronics Manufacturing Service and manufactures other PC related products.

An analysis of the Group's turnover and segment information is set out in note 6 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 31 of this report.

The Board recommends the payment of a final dividend of HK$0.08 per share to shareholders whose name appear on the register of members of the Company at the close of business on 6 June 2012.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in page 35 and note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2011 amounted to approximately HK$476 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$30,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 17 to the consolidated financial statements.

INFORMATION ON SUBSIDIARIES

Particulars of the subsidiaries are set out in note 40 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for each of the last five years ended 31 December 2011.

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Turnover	**5,969,166**	5,585,382	4,709,202	4,389,316	3,020,585
Profit before income tax	**81,902**	133,106	115,533	65,009	60,947
Income tax expense	**(9,223)**	(15,738)	(14,880)	(10,898)	(9,663)
Profit for the year	**72,679**	117,368	100,653	54,111	51,284
Attributable to:					
Owners of the Company	**70,213**	110,295	88,827	51,558	51,444
Non-controlling interests	**2,466**	7,073	11,826	2,553	(160)
	72,679	117,368	100,653	54,111	51,284
ASSETS AND LIABILITIES					
Total assets	**2,548,498**	2,706,782	2,282,623	1,633,355	1,605,126
Total liabilities	**(1,971,417)**	(2,136,402)	(1,789,352)	(1,223,895)	(1,244,637)
Total equity	**577,081**	570,380	493,271	409,460	360,489

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SHARE OPTION SCHEME

On 14 December 2011, the shareholders of the Company approved and adopted a pre-IPO share option scheme. Particulars of the pre-IPO share option scheme of the Company are set out in note 33 to the consolidated financial statements.

DIRECTORS

The Directors during the year and as at the date of this report are:

Executive Directors:
Mr. WONG Shik Ho Tony
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. HO Nai Nap#
Mr. MAN Wai Hung#

Non-executive Directors:
Mrs. HO WONG Mary Mee-Tak#
Mr. CHIU Wing Yui#

Independent Non-executive Directors:
Mr. IP Shing Hing#
Mr. LAI Kin Jerome#
Mr. CHEUNG Ying Sheung#

Appointed on 24 January 2011

In accordance with Article 108 of the Articles of Association, Mr. WONG Shik Ho Tony will retire from office by rotation at the forthcoming Annual General Meeting and, being eligible, offer himself for re-election.

In accordance with Article 112 of the Articles of Association, Mr. HO Nai Nap, Mr. MAN Wai Hung, Mrs. HO WONG Mary Mee-Tak, Mr. CHIU Wing Yui, Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the three Independent Non-executive Directors, Mr. IP Shing Hing, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung that they have met all the factors concerning their independence as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that there are no other factors which may affect their independence. The Company's board of directors (the "Board") considers these Independent Non-executive Directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 35 to the consolidated financial statements, no contracts of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at end of the year or at any time during the year.

DIRECTORS SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting. Under the agreements, the Executive Directors will receive a fixed monthly salary. The Executive Directors will also receive a year end bonus and a discretionary performance bonus and discretionary profit-sharing bonus under the agreements.

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 12 January 2012 unless terminated by either the Company or the Director giving to the other party not less than 3 months' prior written notice and is subject to retirement by rotation and re-election at the annual general meeting.

Apart from the above, none of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of 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 (Note)	Interest in controlled corporations	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%

DIRECTORS RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

Name	Long/Short position	Type of interest	Number of Shares held	Percentage of shareholding
Perfect Choice Limited	Long position	Beneficial owner	77,500,000	18.56% (Note 1)
Classic Venture International Inc.	Long position	Beneficial owner	54,850,000	13.14% (Note 1)
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 Limited ("SAS Investment")	Long position	Beneficial owner	25,100,000	6.01% (Note 2)
S.A.S. Dragon Holdings Limited ("SAS Holdings")	Long position	Through controlled corporation	25,100,000	6.01% (Note 2)
Mr. Daniel KEARNEY	Long position	Beneficial owner	22,475,000	5.38%

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 25,100,000 Shares held by SAS Investment under the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's largest customers and suppliers are as follows:

	2011	2010
	%	%
Sales		
— the largest customer	**14%**	9%
— five largest customers combined	**38%**	40%
Purchases		
— the largest supplier	**31%**	33%
— five largest suppliers combined	**45%**	49%

During the year, none of the Directors, their associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the share capital of the Company) had any interest in any of the Group's five largest customers or suppliers.

CONNECTED TRANSACTIONS

During the year, there is no connected transaction of the Group that required for the reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules. However, the actual expenses reimbursed by Zotac Nevada to NALA Sales for the year ended 31 December 2011 and for the month of January 2012 have been slightly exceeded the expected cap amounts as stated in the prospectus by approximately US$384,000 and US$38,000 respectively. As NALA Sales ceased to be a connected person of the Group since 11 January 2012, no further disclosure is required.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

The corporate governance report is set out on pages 15 to 18 of this report.

AUDITOR

The financial statements for the year ended 31 December 2011 have been audited by BDO Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD
WONG Shik Ho Tony
Chairman

Hong Kong
26 March 2012

Independent Auditor's Report

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TO THE SHAREHOLDERS OF PC PARTNER GROUP LIMITED
(栢能集團有限公司)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PC Partner Group Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group") set out on pages 31 to 87, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate Number P02038

Hong Kong, 26 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	6, 7	**5,969,166**	5,585,382
Cost of sales		**(5,491,587)**	(5,124,759)
Gross profit		**477,579**	460,623
Other revenue and other gains and losses	8	**4,012**	38,007
Selling and distribution expenses		**(100,347)**	(104,192)
Administrative expenses		**(268,999)**	(249,562)
Listing expenses		**(19,266)**	—
Finance costs	9	**(11,077)**	(11,770)
Profit before income tax	10	**81,902**	133,106
Income tax expense	11	**(9,223)**	(15,738)
Profit for the year		**72,679**	117,368
Other comprehensive income, after tax			
Exchange differences on translating foreign operations		**(67)**	37
Total comprehensive income for the year		**72,612**	117,405
Profit attributable to:			
— Owners of the Company	14	**70,213**	110,295
— Non-controlling interests		**2,466**	7,073
		72,679	117,368
Total comprehensive income attributable to:			
— Owners of the Company		**70,154**	110,332
— Non-controlling interests		**2,458**	7,073
		72,612	117,405
Earnings per share	16		
— Basic		**0.21**	0.33
— Diluted		**0.21**	0.33

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	97,259	93,506
Intangible assets	18	8,356	10,084
Other financial assets	21	20,992	20,992
Deferred tax assets	24	1,859	1,284
Total non-current assets		128,466	125,866
Current assets			
Inventories	25	799,495	943,858
Trade and other receivables	22	890,104	941,949
Amount due from a shareholder	20	3,800	—
Derivative financial assets	23	559	412
Current tax recoverable		1,549	2,315
Pledged time deposits		7,129	7,142
Cash and cash equivalents	26	717,396	685,240
Total current assets		2,420,032	2,580,916
Total assets		2,548,498	2,706,782
Current liabilities			
Trade and other payables	27	1,146,220	1,182,721
Borrowings	28	813,637	934,891
Provisions	29	7,894	11,216
Obligations under finance leases		17	14
Derivative financial liabilities	23	54	162
Current tax liabilities		3,537	7,395
Total current liabilities		1,971,359	2,136,399
Net current assets		448,673	444,517
Total assets less current liabilities		577,139	570,383
Non-current liabilities			
Obligations under finance leases		58	3
NET ASSETS		577,081	570,380

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Capital and reserves attributable to owners of the Company			
Share capital	30	**33,052**	30,318
Reserves		**544,029**	518,015
Equity attributable to owners of the Company		**577,081**	548,333
Non-controlling interests		**–**	22,047
TOTAL EQUITY		**577,081**	570,380

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment in a subsidiary	19	528,830	—
Current assets			
Prepayments, deposit and other receivables		8,232	—
Amounts due from subsidiaries	19	550	—
Amount due from a shareholder	20	3,800	—
Cash and cash equivalents		145	—
Total current assets		12,727	—
Current liabilities			
Accruals		14,214	—
Amount due to a subsidiary	19	18,023	—
Total current liabilities		32,237	—
Net current liabilities		(19,510)	—
NET ASSETS		509,320	—
Capital and reserves			
Share capital	30	33,052	—
Reserves	31	476,268	—
TOTAL EQUITY		509,320	—

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium (Note (a))	Translation reserve	Merger reserve (Note (b))	Other reserve (Note (c))	Legal reserve (Note (d))	Share-based payment reserve	Retained profits	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	30,318	6,702	(3)	–	–	49	–	432,231	469,297	23,974	493,271
Profit for the year	–	–	–	–	–	–	–	110,295	110,295	7,073	117,368
Other comprehensive income											
– exchange difference on translating foreign operations	–	–	37	–	–	–	–	–	37	–	37
Total comprehensive income	–	–	37	–	–	–	–	110,295	110,332	7,073	117,405
Dividends approved in respect of the previous year (Note 15)	–	–	–	–	–	–	–	(31,296)	(31,296)	–	(31,296)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(9,000)	(9,000)
At 31 December 2010 and 1 January 2011	30,318	6,702	34	–	–	49	–	511,230	548,333	22,047	570,380
Profit for the year	–	–	–	–	–	–	–	70,213	70,213	2,466	72,679
Other comprehensive income											
– exchange difference on translating foreign operations	–	–	(59)	–	–	–	–	–	(59)	(8)	(67)
Total comprehensive income	–	–	(59)	–	–	–	–	70,213	70,154	2,458	72,612
Arising from the Reorganisation (Note 1)											
– Acquisition of additional interests in subsidiaries (Note 40 (ii))	2,734	–	–	–	21,771	–	–	–	24,505	(24,505)	–
– Share swap of holding company	–	(6,702)	–	6,702	–	–	–	–	–	–	–
Dividends approved in respect of the previous year (Note 15)	–	–	–	–	–	–	–	(66,504)	(66,504)	–	(66,504)
Equity settled share-based transactions (Note 33)	–	–	–	–	–	–	593	–	593	–	593
Transfer to legal reserve	–	–	–	–	–	141	–	(141)	–	–	–
At 31 December 2011	33,052	–	(25)	6,702	21,771	190	593	514,798	577,081	–	577,081

Notes:

(a) Share premium as at 1 January 2010 represented the amount subscribed for share capital of the Company's directly-held subsidiary, PC Partner Holdings Limited, in excess of nominal value. The share premium was transferred to merger reserve pursuant to the Reorganisation.

(b) Merger reserve represents the difference between the share capital of the Company and the combined share capital and share premium of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Reorganisation as disclosed in note 1 to the consolidated financial statements.

(c) Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the Reorganisation over their nominal values.

(d) Legal reserve includes (i) reserve made by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain no less than 25% of profits of the accounting period as legal reserve, until such reserve reaches 50% of the capital of this entity; and (ii) reserve made by the Group's subsidiaries established in the People's Republic of China (the "PRC") pursuant to the PRC Company Law and the respective articles of association which require the PRC subsidiaries to appropriate 10% of its annual statutory net profit (determined in accordance with the PRC accounting principles and regulations and after offsetting any prior years' losses) to the statutory reserve fund until such reserve fund reaches 50% of the share capital of these entities. The statutory reserve fund can be utilised to offset prior years' losses or to increase capital. However, except for offsetting prior years' losses, such reserve fund must be maintained at a minimum of 25% of share capital after usage.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Operating activities			
Profit before income tax		**81,902**	133,106
Adjustment for:			
Depreciation		**39,960**	44,266
Amortisation of intangible assets		**1,728**	1,728
Dividend income		**—**	(31,659)
Interest income		**(537)**	(172)
Net fair value gain and gain on settlement of derivative financial instruments		**(1,602)**	(231)
Interest expense		**11,077**	11,770
Gain on liquidation of a subsidiary		**(42)**	—
Gain on disposal of property, plant and equipment		**(7)**	—
Property, plant and equipment written off		**21**	8
Provision/(reversal) for impairment losses on trade and other receivables		**471**	(79)
Share-based payment expenses		**593**	—
(Reversal)/provision for obsolete inventories		**(5,417)**	1,788
Operating profit before working capital changes		**128,147**	160,525
Inventories		**147,644**	(216,576)
Trade and other receivables		**50,336**	(219,899)
Trade and other payables		**(62,074)**	194,624
Import loans		**(92,523)**	219,087
Provision for product warranties and returns		**(4,458)**	(939)
Amounts due to non-controlling interests		**—**	(17,574)
Amount due from a shareholder		**(3,800)**	—
Amounts due from related companies		**—**	(12,746)
Cash generated from operations		**163,272**	106,502
Interest paid		**(11,077)**	(11,770)
Income tax paid		**(12,477)**	(34,371)
Net cash generated from operating activities		**139,718**	60,361
Investing activities			
Decrease/(increase) in pledged time deposits		**13**	(18)
Payments to acquire property, plant and equipment		**(44,274)**	(44,874)
Acquisition of businesses		**—**	(13,500)
Disposal of a subsidiary	37	**(1,320)**	—
Dividend received		**—**	33,035
Interest received		**537**	172
Gain on settlement of derivative financial instruments		**1,347**	938
Net cash used in investing activities		**(43,697)**	(24,247)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Financing activities			
Contribution from non-controlling interests		–	7,000
Dividend paid to owners of the Company		(35,208)	(31,296)
Dividend paid to non-controlling interests		–	(9,000)
Proceeds from bank loans		29,000	40,000
Repayments of bank loans		(64,476)	(29,876)
Proceeds from discounted bills and factoring loans		154,234	138,364
Repayments of discounted bills and factoring loans		(147,489)	(147,364)
Repayment of obligations under finance leases		(13)	(14)
Net cash used in financing activities		(63,952)	(32,186)
Net increase in cash and cash equivalents		32,069	3,928
Cash and cash equivalents at beginning of year		685,240	681,272
Effect of exchange rate changes on cash and cash equivalents		87	40
Cash and cash equivalents at end of year	26	717,396	685,240

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

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

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

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

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

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

HKFRS 3 (Amendments) — Business Combinations

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

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

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

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

Notes:

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

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

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

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Business combination and basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiary

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The result of subsidiary is accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold land and buildings	50 years
Leasehold improvements	Over the remaining lease terms
Plant and machinery	2 to 5 years
Office and testing equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	3 years
Moulds	2 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives as follows:

Non-contractual customer lists and relationship	5 years

The amortisation expense is recognised in profit or loss and included in administrative expenses. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets (continued)

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (note 4(l)).

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

For available-for-sale financial assets (continued)

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, obligation under finance leases, provisions and borrowings by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39 Financial Instruments: Recognition and Measurement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

(h) Revenue recognition

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Service income is recognised when services are provided.

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

(i) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Income taxes (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items directly recognised in other comprehensive income in which case the taxes are also directly recognised in other comprehensive income.

(j) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which the entity operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

On preparing consolidated financial statements, the results of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as foreign exchange reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Foreign currency (continued)

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in the translation reserve.

(k) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Pension obligations

For employees in Hong Kong, the Group participates in a master trust scheme provided by an independent Mandatory Provident Fund ("MPF") service provider to comply with the requirements under the MPF Scheme Ordinance. Contributions paid and payable by the Group to the scheme are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

For employees in the PRC, the Group contributes to state-sponsored retirement plans. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the plan prior to vesting fully in the contributions.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets with finite useful lives; and
- investment in a subsidiary

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply (continued)

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are discussed below.

Impairment of property, plant and equipment

The Group tests annually whether property, plant and equipment have suffered any impairment. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of property, plant and equipment (continued)

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash f lows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

Useful lives of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives, and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisation lives and therefore affect the depreciation and amortisation charges in future periods.

Impairment of available-for-sale investments

The Group determines at each reporting date whether there is any objective evidence that the available-for-sale investments are impaired. In performing its review, the Group considers the profitability and financial position of the investments and economic outlooks relating to those investments. If such indication exists, the amount of the impairment loss is measured as the difference between the carrying amount of available-for-sale investments and the present value of estimated future cash flows, discounted at the current market rate of return for a similar investment. If the economic outlooks of the investments were to deteriorate, resulting in an impairment of the investments, the carrying value of those investments may be required to be impaired as of 31 December 2011. On the above basis, the directors of the Company are of the view that no impairment of investments is required.

Provision for obsolete inventories

The management estimates the net realisable value of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes allowance on obsolete and slow moving items to write off or write down inventories to their net realisable values. Where the expectation on the net realisable value is lower than the cost, an impairment may arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of trade receivables

Recoverability of the trade receivables are reviewed by management based on the receivables' aging characteristics, management evaluation of the current creditworthiness and past collection history of each customer. Judgment is required in assessing the ultimate realisation of these receivables, and the financial conditions of the debtors may undergo adverse changes since the last management evaluation. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required in future accounting periods.

Warranty and returns provisions

As explained in note 29, the Group makes provisions under the warranties and returns it gives on sale of its electrical products taking into account the Group's cumulative past claim experience. As the Group is continually upgrading its product designs and launching new models, it is possible that the cumulative past claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Impairment of intangible assets

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which the intangible asset has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. SEGMENT REPORTING

(a) Reportable segments

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

6. SEGMENT REPORTING (CONTINUED)

(b) Geographical information

(i) Turnover

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

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

(ii) Specified non-current assets

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

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

(c) Revenue from major products and services

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

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

(d) Information about major customers

Revenue from a customer of the corresponding periods contributing 10% or more of the Group's revenue is HK$863,655,000 (2010: Nil).

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7. TURNOVER

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

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. PROFIT BEFORE INCOME TAX

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

	2011 HK$'000	2010 HK$'000
Inventories recognised as expense	5,484,445	5,122,971
Provision for obsolete inventories	7,142	1,788
Cost of sales	5,491,587	5,124,759
Staff costs (Note 12)	332,487	275,939
Auditor's remuneration	1,485	461
Depreciation of property, plant and equipment	39,960	44,266
Amortisation of intangible assets	1,728	1,728
Provision/(reversal of provision) for impairment losses on trade and other receivables	471	(79)
Operating lease payments on premises	27,527	25,992
Property, plant and equipment written off	21	8
Provision for product warranties and returns (Note 29)	12,570	1,476

11. INCOME TAX EXPENSE

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

	2011 HK$'000	2010 HK$'000
Current tax — Hong Kong profits tax		
— provision for the year	6,556	17,374
— (over)/under provision in respect of prior year	(46)	748
Current tax — PRC		
— provision for the year	3,169	597
Current tax — United States of America and Korea		
— provision for the year	117	830
— under provision in respect of prior year	2	—
	9,798	19,549
Deferred tax		
— origination and reversal of temporary differences (Note 24)	(575)	(3,811)
Income tax expense	9,223	15,738

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

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

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

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

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

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For the year ended 31 December 2011

11. INCOME TAX EXPENSE (CONTINUED)

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

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

12. STAFF COSTS

	2011 HK$'000	2010 HK$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	**302,758**	262,174
Pension contribution	**2,169**	1,928
Social insurance	**15,400**	11,837
Share-based payment (equity-settled)	**593**	—
Provision for long service payment	**1,685**	—
Provision for annual leave	**1,457**	—
Others	**8,425**	—
	332,487	275,939

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2010: four) directors were as follows:

Year ended 31 December 2011

Name of director	Fees HK$'000	Basic salaries and bonus HK$'000	Pension contribution HK$'000	Housing and other allowances and benefits in kind HK$'000	Sub-total HK$'000	Share-based payment (Note (i)) HK$'000	Total HK$'000
Executive director							
Mr. WONG Shik Ho Tony	–	3,995	12	1,120	5,127	80	5,207
Mr. WONG Fong Pak	–	2,839	12	608	3,459	61	3,520
Mr. LEUNG Wah Kan	–	2,912	12	651	3,575	61	3,636
Mr. MAN Wai Hung (Note ii)	–	1,495	12	–	1,507	22	1,529
Mr. HO Nai Nap (Note ii)	–	3,302	12	–	3,314	22	3,336
Non-executive director							
Mrs. HO WONG Mee-Tak Mary	–	–	–	–	–	–	–
Mr. CHIU Wing Yui (Note ii)	–	–	–	–	–	–	–
Mr. IP Shing Hing (Note ii)	–	–	–	–	–	–	–
Mr. LAI Kin Jerome (Note ii)	–	–	–	–	–	–	–
Mr. CHEUNG Ying Sheung (Note ii)	–	–	–	–	–	–	–
	–	14,543	60	2,379	16,982	246	17,228

Year ended 31 December 2010

Name of director	Fees HK$'000	Basic salaries and bonus HK$'000	Pension contribution HK$'000	Housing and other allowances and benefits in kind HK$'000	Total HK$'000
Mr. WONG Shik Ho Tony	–	4,385	12	1,151	5,548
Mr. WONG Fong Pak	–	3,881	12	609	4,502
Mr. LEUNG Wah Kan	–	3,951	12	638	4,601
Mrs. HO WONG Mee-Tak Mary	–	–	–	–	–
	–	12,217	36	2,398	14,651

Notes:

(i) This represents the estimated value of share options granted to the directors under the Company's share option scheme (2010: Nil). The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 4(m).

The details of these benefits in kind, including the principal terms and number of options granted are disclosed in note 33.

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

(ii) Appointed on 24 January 2011.

(iii) The remuneration of directors is determined by the remuneration committee having regard to the level and composition of pay and the general market conditions in the respective countries and businesses.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, all (2010: three) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining two individuals in 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000
Wages and salaries	–	1,942
Pension contribution	–	15
	–	1,957

The emoluments of the remaining highest paid individuals are within the following bands:

	2011	2010
HK$ Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$1,500,000	–	1
HK$1,500,001 – HK$2,000,000	–	–
HK$2,000,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$4,000,000	–	–
	–	2

During the year, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the year.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

15. DIVIDENDS

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

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

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

The directors of the Company proposed a final dividend of HK$0.08 per share, totalling HK$33,401,493 after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

16. EARNINGS PER SHARE

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

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

Number of shares	2011	2010
Issue of shares on incorporation of the Company	**3**	3
Issue of shares (Note 30(b))	**330,518,665**	330,518,665
Number of shares in issue before the listing of the Company's shares on the Stock Exchange on 12 January 2012	**330,518,668**	330,518,668
Effect of dilutive potential ordinary shares:		
— share options	**138,039**	—
Number of shares for the purpose of diluted earnings per share	**330,656,707**	330,518,668

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17. PROPERTY, PLANT AND EQUIPMENT

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

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

18. INTANGIBLE ASSETS

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

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

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

19. INVESTMENT IN A SUBSIDIARY

The Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**528,830**	—

Amount due from/(to) subsidiaries are unsecured, interest free and repayable on demand.

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20. AMOUNT DUE FROM A SHAREHOLDER

Amount due from a shareholder is unsecured, interest free and repayable on demand.

21. OTHER FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Available-for-sale investments — Non-current		
Investments in unlisted securities (Note)	**20,992**	20,992

Note:

The available-for-sale investments represent 4.95% of equity interest in each of Federal Bonus Limited and Sapphire Global Holdings Limited as at 31 December 2011 (2010: 4.95%) respectively. Both of which are private companies incorporated in the British Virgin Islands ("BVI"). As the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are stated at cost less any accumulated impairment losses. The directors have no intention to dispose of the investments in next twelve months.

22. TRADE AND OTHER RECEIVABLES

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

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

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

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

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

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

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

The Group recognised impairment loss on individual assessment based on the accounting policy stated in note 4(g)(ii).

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23. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 HK$'000	2010 HK$'000
Derivative financial assets		
Foreign exchange forward contracts	–	350
Performance swap contracts (Note)	559	62
	559	412
Derivative financial liabilities		
Interest rate swap contracts	54	162

Note:

Performance swap contracts

Notional amount	Trade dates	Contracted exchange rates	Fair value 2011 HK$'000	Fair value 2010 HK$'000
HK$50,000,000 (Interest rate swap portion) and US$3,600,000 (Foreign exchange portion)	4 August 2009 to 7 February 2011	HK$-HIBOR-HKAB/ US$1 to RMB7	–	62
US$2,000,000	12 April 2011 to 7 March 2013	RMB5.95 to RMB6.6	222	–
US$1,000,000	21 September 2011 to 18 September 2013	HK$7.73 to HK$7.85	337	–
			559	62

The above derivatives were measured at fair value at the end of the year. The fair values of the above derivatives were determined based on the quoted market prices and the valuations are performed by Stirling Appraisals Limited, the qualified valuer.

24. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements during the year:

	Accelerated tax depreciation HK$'000	Provisions for doubtful debts and warranty HK$'000	Total HK$'000
At 1 January 2010	(3,595)	1,068	(2,527)
Credited/(charged) to profit or loss	4,150	(339)	3,811
At 31 December 2010 and 1 January 2011	555	729	1,284
Credited to profit or loss	271	304	575
At 31 December 2011	826	1,033	1,859

Deferred tax asset has not been recognised for the followings:

	2011 HK$'000	2010 HK$'000
Deductible temporary differences	**7,201**	659
Unused tax losses	**45,513**	12,804
	52,714	13,463

No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. Losses amounting to approximately HK$2,393,000 could be carried forward indefinitely, remaining losses amounting to approximately HK$43,120,000 will expire during 2012 to 2031.

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25. INVENTORIES

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

26. CASH AND CASH EQUIVALENTS

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

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

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

Renminbi is not freely convertible into other currencies. Under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

27. TRADE AND OTHER PAYABLES

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

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

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

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

Note:

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

28. BORROWINGS

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

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28. BORROWINGS (CONTINUED)

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

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

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

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

(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 consolidated statement of financial position.

29. PROVISIONS

	2011 HK$'000	2010 HK$'000
Provision for product warranties and returns		
At beginning of year	**11,216**	12,155
Additional provision made	**12,570**	1,476
Utilised	**(15,892)**	(2,415)
Net movement for the year	**(3,322)**	(939)
At the end of year	**7,894**	11,216

29. 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 defected 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.

30. SHARE CAPITAL

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

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

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

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

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

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31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

Movements of the reserves of the Company are as follows:

	Other reserve (Note) HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
On the date of incorporation and 31 December 2010	—	—	—	—
Issuance of shares pursuant to the Reorganisation	495,778	—	—	495,778
Equity settled share-based transactions (Note 33)	—	593	—	593
Loss for the year	—	—	(20,103)	(20,103)
At 31 December 2011	495,778	593	(20,103)	476,268

Note: Other reserve represents the excess of the fair value of shares issued as consideration for acquisition of the additional interests of the subsidiaries from their non-controlling shareholders pursuant to the Reorganisation over their nominal values.

32. 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:

	2011 HK$'000	2010 HK$'000
Within one year	**29,287**	26,310
After one year but within five years	**99,207**	49,674
After five years	**17,660**	16,553
	146,154	92,537

33. SHARE-BASED PAYMENT

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 are granted to directors (including non-executive directors), employees and consultants to 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 is 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.

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 and HK$593,000 has been charged to profit or loss for the year in accordance with the Group's accounting policy set out in note 4(m).

Movements in the number of share options outstanding and their exercise prices are as follows:

	2011			
	Weighted average exercise price HK$	Number of option Directors '000	Employees '000	Total '000
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	1.46	13,290	18,700	31,990
Outstanding at the end of the year	1.46	13,290	18,700	31,990
Exercisable at the end of the year	–	–	–	–

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33. SHARE-BASED PAYMENT (CONTINUED)

Details of movements in number of share options granted to the directors of the Company are as follows:

Director	On adoption	Granted during the year	Exercised during the year	End of year
Mr. WONG Shik Ho Tony	—	4,290,000	—	4,290,000
Mr. LEUNG Wah Kan	—	3,300,000	—	3,300,000
Mr. WONG Fong Pak	—	3,300,000	—	3,300,000
Mr. MAN Wai Hung	—	1,200,000	—	1,200,000
Mr. HO Nai Nap	—	1,200,000	—	1,200,000
Total	—	13,290,000	—	13,290,000

The fair value for total share options granted to directors and employees were amounted to HK$7,175,000 and HK$10,095,000 respectively and was calculated using the Binomial option pricing model by Stirling Appraisals Limited. The weighted average remaining contractual life of the share option outstanding at 31 December 2011 was 4.58 years.

The inputs into the model were as follows:

The Group and the Company

	Employees and directors As at 14 December 2011
Weighted average share price	1.60
Weighted average exercise price	1.46
Expected volatility	50.16% to 50.76%
Expected life	4.079 to 5.081 years
Risk-free interest rate	0.663% to 0.839%
Early exercise behaviour	220%
Expected dividend yield	5%

The expected volatility is based on the historical volatility on publicly available information.

The risk-free interest rate was determined with reference to the yield rate of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.

The options were expected to be exercised when the share price of the underlying security of the options rises to 220% of the exercise price.

Share options were granted under a service condition. This condition has not been taken into account in grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

34. CAPITAL COMMITMENTS

At 31 December 2011, the Group had the following capital commitments in respect of:

	2011 **HK$'000**	2010 HK$'000
Contracted for acquisition of property, plant and equipment but not provided	**1,739**	2,490

35. RELATED PARTY DISCLOSURES

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

	2011 **HK$'000**	2010 HK$'000
Related companies owned by non-controlling shareholders of subsidiaries (Note v)		
— purchases (Note iii)	**—**	958
— subcontracting charges (Note iv)	**—**	7,804
— personnel support service fees and reimbursement of expenses (Note i)	**—**	2,786
— rent (Note ii)	**—**	600
Related companies owned by directors of the Company		
— personnel support service fees and reimbursement of expenses (Note i)	**2,490**	—
— rent (Note ii)	**600**	—
— sales (Note iii)	**—**	6,301
Non-controlling shareholders of a subsidiary		
— rent (Note ii)	**105**	168
Director of the Company		
— rent (Note ii)	**105**	—

Notes:

(i) Personnel support service fees and reimbursement of expenses were mutually agreed by the parties.

(ii) Rental expenses were charged according to the agreements.

(iii) Sales and purchase transactions were conducted at prices agreed by both parties.

(iv) Subcontracting charges were determined with reference to the then prevailing market rates.

(v) The non-controlling shareholders of subsidiaries were appointed as directors of the Company on 24 January 2011.

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

Member of key management during the year comprised the directors only whose remuneration is set out in note 13.

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36. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(i) On 11 January 2011, PC Partner International Limited ("PCPI") entered into a stock purchase agreement with the non-controlling shareholder of Zotac USA Inc. (Nevada) ("Zotac Nevada"), whereby PCPI agreed to purchase, and the non-controlling shareholder agreed to sell, 30,000 shares of Zotac Nevada, representing 40% of the equity interest in Zotac Nevada held by the non-controlling shareholder, for a consideration of US$1.

The transaction was completed on 11 January 2011. Zotac Nevada becomes a wholly-owned subsidiary of PCPI at the same date.

(ii) The Group acquired the remaining 40% equity interests in each of Ask Technology Group Limited and Manli Technology Group Limited through issuance of shares of the Company pursuant to the Reorganisation as disclosed in note 1.

37. DISPOSAL OF A SUBSIDIARY

On 11 January 2011, PCPI entered into a stock purchase agreement with the non-controlling shareholder of Zotac USA, Inc. (California) ("Zotac California"), whereby PCPI agreed to sell, and the non-controlling shareholder agreed to purchase, 45,000 shares of Zotac California, representing 60% of the equity interest in Zotac California held by PCPI, for a consideration of US$1.

The disposal was completed on 11 January 2011. PCPI does not hold any interest in Zotac California upon disposal.

The carrying amounts of net assets disposed of were as follows:

	Carrying amounts HK$'000
Net assets disposed of:	
Property, plant and equipment	538
Trade and other receivables	1,049
Cash and cash equivalents	1,320
Trade and other payables	(2,421)
Current tax liabilities	(486)
Total consideration	*
Satisfied by:	
Cash consideration	*
Net cash outflow arising on disposal:	
Cash consideration	*
Cash and cash equivalents disposed of	1,320
	(1,320)

* Denoted as US$1

The carrying amounts of net assets disposed of approximated to their fair values.

38. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 28 and the obligations under finance leases, cash and cash equivalents disclosed in note 26 and equity of the Group, comprising share capital, reserves, retained earnings and non-controlling interests disclosed in consolidated statements of changes in equity. The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

The gearing ratio at the end of each reporting period was as follows:

	2011 HK$'000	2010 HK$'000
Debts	813,712	934,908
Cash and cash equivalents	(717,396)	(685,240)
Net debts	96,316	249,668
Total equity	577,081	570,380
Debts to equity ratio	16.7%	43.8%

39. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers, however the Group has purchased credit insurance for certain customers.

Further quantitative disclosures in respect of the Group exposures to credit risk arising from trade receivables are set out in note 22.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

As at 31 December 2011, approximately 14% (2010: Nil), of the Group's trade receivables were due from a major customer, whose sales accounted for more than 10% of the Group's revenue during the year.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

(b) Liquidity risk

The Group's policy is to regularly monitor its current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause which can be exercised at the bank's sole discretion. The analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity dates for other financial liabilities are based on the agreed repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000
At 31 December 2011					
Trade and other payables	1,146,220	1,146,220	1,146,220	—	—
Borrowings	813,637	813,637	813,637	—	—
Obligations under finance leases	75	75	17	15	43
Total	1,959,932	1,969,932	1,959,874	15	43
Derivative settled net:					
Interest rate swap	54	54	54	—	—
At 31 December 2010					
Trade and other payables	1,182,721	1,182,721	1,182,721	—	—
Borrowings	934,891	934,891	934,891	—	—
Obligations under finance leases	17	17	14	3	—
Total	2,117,629	2,117,629	2,117,626	3	—
Derivative settled net:					
Interest rate swap	162	162	162	—	—

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undis-counted cash flow HK$'000	Within one year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years HK$'000
31 December 2011	**82,422**	**83,652**	**34,685**	**24,749**	**24,218**
31 December 2010	117,898	120,904	65,440	49,684	5,780

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

The following table details the interest rate profile of the Group's borrowings:

	2011		2010	
	Effective interest rate (per annum)	**HK$'000**	Effective interest rate (per annum)	HK$'000
Variable rate borrowings:				
Import loans	**1.43%**	**718,524**	1.58%	811,047
Bank loans	**1.34%**	**82,422**	1.49%	117,898
Discounted bills and factoring loan	**1.59%**	**12,691**	1.32%	5,946
		813,637		934,891
Fixed rate borrowings:				
Obligations under finance lease	**Nil**	**75**	Nil	17

The Group manages certain of its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At 31 December 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax for the years ended 31 December 2011 by approximately HK$3,204,000 (2010: HK$3,121,000) respectively.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2010.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk is primarily Renminbi.

At 31 December 2011, the Group had forward foreign exchange contracts with a fair value of HK$Nil (2010: HK$350,000) and performance swap contracts with a fair value of HK$559,000 (2010: HK$62,000) recognised as derivative financial instruments respectively.

The following table details the Group's exposure at 31 December 2011 and 2010 to significant currency risk arising from the recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2011 Renminbi HK$'000	2010 Renminbi HK$'000
Trade and other receivables	**6,946**	6,855
Cash and cash equivalents	**1,663**	735
Trade and other payables	**(1,868)**	(3,613)
Currency derivatives at notional value	**33,227**	16,339
Overall net exposure	**39,968**	20,316

The following table indicates the approximate change in the Group's profit after income tax and retained profits and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit for the year and other equity where the HK$ strengthens against the relevant currency. For a weakening of the HK$ against the relevant currency, there would be an equal and opposite impact on the profit for the year and other equity, and the balances below would be negative.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

	Increase in foreign exchange rates	Effect on profit after income tax HK$'000
As at 31 December 2011		
Renminbi	**5%**	**(3,454)**
As at 31 December 2010		
Renminbi	5%	(552)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the periods until the next annual reporting date. In this respect, it is assumed that the pegged rate between the HK$ and the US$ would be materially unaffected by any changes in movement in value of the US$ against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit for the year and equity measured in the respective functional currencies, translated into HK$ at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis as 2010.

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39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial instruments

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in note 4(g):

	2011 Carrying amount HK$	2011 Fair value HK$	2010 Carrying amount HK$	2010 Fair value HK$
Financial assets				
Fair value through profit and loss:	**559**	**559**	412	412
— designated upon initial recognition				
Loans and receivables	**1,595,162**	**—**	1,635,659	—
Available-for-sale financial assets	**20,992**	**—**	20,992	—
Financial liabilities				
Fair value through profit and loss:				
— designated upon initial recognition	**54**	**54**	—	162
— held for trading	**—**	**—**	—	—
Financial liabilities measured at amortised cost	**1,942,273**	**—**	2,103,149	—

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities, including pledged deposits, cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings, are recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of each reporting period.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value of financial instruments (continued)

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000
As at 31 December 2011			
Financial assets at fair value through profit or loss:			
— derivatives	**—**	**559**	**—**
Financial liabilities at fair value through profit or loss			
— derivatives	**—**	**54**	**—**
As at 31 December 2010			
Financial assets at fair value through profit or loss:			
— derivatives	—	412	—
Financial liabilities at fair value through profit or loss			
— derivatives	—	162	—

40. PARTICULARS OF SUBSIDIARIES

As at 31 December 2011, the particulars of the Company's principal subsidiaries, all of which are companies with limited liability, are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest held Directly	Attributable equity interest held Indirectly	Principal activities
PC Partner Holdings Limited	BVI 2 May 1997	Hong Kong	US$4,264,757	100%	—	Investment holding
Active Smart Limited	Hong Kong 15 February 1994	Hong Kong	HK$10,000	—	100%	Trading of computer parts
Ask Technology Group Limited (Note ii)	Hong Kong 10 March 2008	Hong Kong	HK$10,000	—	100%	Trading of computer accessories
Double Hero Petroleum Factory Limited	Hong Kong 16 August 1994	Hong Kong	HK$50,000	—	100%	Trading of computer parts

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40. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Manli Technology Group Limited (Note ii)	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories and computers
PC Partner International Limited	BVI 10 July 2003	Hong Kong	US$1	–	100%	Provision of marketing service
PC Partner Limited	Hong Kong 12 February 1988	Hong Kong	HK$26,520,000	–	100%	Design, manufacture and sale of computer accessories and computers
Zotac International (Macao Commercial Offshore) Limited	Macau 20 September 2006	Macau	MOP100,000	–	100%	Trading of computer accessories and computers
Zotac Korea Co., Ltd.	Korea 12 May 2010	Korea	KRW559,820,000	–	100%	Trading of computer accessories and computers
Zotac USA, Inc. (Nevada) ("Zotac Nevada")	United States of America ("USA") 9 October 2007	USA	US$200,000	–	100%	Trading of computer accessories and computers
東莞栢能電子科技有限公司 (Note i)	PRC 10 July 2009	PRC	US$18,539,171	–	100%	Subcontracting of computer accessories and computers
東莞市天沛電子科技有限公司 (Note i)	PRC 11 July 2008	PRC	RMB17,500,000	–	100%	Subcontracting of computer accessories

Notes:

(i) All subsidiaries established in the PRC are wholly foreign owned enterprises.

(ii) The Group acquired the remaining 40% equity interests in each of these subsidiaries through issuance of shares of the Company pursuant to the Reorganisation as disclosed in note 1.

41. SUBSEQUENT EVENTS

On 12 January 2012, the Company's shares were listed on the Main Board of the Stock Exchange following the completion of the public offer and placing as described in the Prospectus of the Company dated 29 December 2011.

On 12 January 2012, an aggregate of 105,000,000 ordinary shares of HK$0.10 each were issued and offered for subscription under public offer and placing at a price of HK$1.60 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK$128,031,000, net of capitalisation of related expenses from the share offer and placing.

42. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 March 2012.

Property Interests Held by the Group

Description	Group interest	Use	Tenure
Workshop Nos. 15 to 18 on 15th Floor Yale Industrial Centre Nos. 61–63 Au Pui Wan Street Shatin New Territories	100%	For workshop and ancillary office purposes.	Medium-term lease