* For identification purpose only

HKSE: 1263

栢能集團有限公司*
PC Partner Group Limited

Incorporated in the Cayman Islands with limited liability

2022 ANNUAL REPORT

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.


PCPartner
INNO3D
ZOTAC
INNO3D

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
(Alternate Director to Mrs. HO WONG Mary Mee-Tak)

Independent Non-executive Directors

Mr. IP Shing Hing, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim (effective from 1 January 2023)

AUDIT COMMITTEE

Mr. LAI Kin Jerome *(Chairman)*
Mr. IP Shing Hing, *B.B.S., J.P.*
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim (effective from 1 January 2023)

REMUNERATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony
Ms. CHAN Yim (effective from 1 January 2023)

NOMINATION COMMITTEE

Mr. IP Shing Hing *(Chairman)*, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Mr. WONG Shik Ho Tony
Ms. CHAN Yim (effective from 1 January 2023)

INVESTMENT COMMITTEE

Mr. WONG Shik Ho Tony *(Chairman)*
Mr. WONG Fong Pak
Mr. LEUNG Wah Kan
Mr. IP Shing Hing, *B.B.S., J.P.*
Mr. LAI Kin Jerome

COMPANY SECRETARY

Ms. LEE Yuet Wan

AUTHORISED REPRESENTATIVES

Mr. WONG Shik Ho Tony
Ms. LEE Yuet Wan

AUDITOR

BDO Limited
Registered Public Interest Entity Auditor
25/F., Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISER

Lau, Horton & Wise LLP
8/F., Nexxus Building
41 Connaught Road Central
Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F., NCB Innovation Centre,
888 Lai Chi Kok Road,
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KYI-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
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 STATEMENT

Dear Shareholders,

The business environment was complex and volatile for the past year, various uncontrollable external factors such as the high inflation and interest rate, the strong U.S. dollar, the war in Ukraine, the COVID-19 crisis and relevant lockdowns have caused negative impact on consumer demand and corporate spending in different regions. Although both the sales revenue and profit margin has came down in the second half of the year but PC Partner was still achieved the second highest profit in record for the financial year of 2022. To celebrate our 25th year anniversary, I would like to propose a special dividend for $0.25 per share on behalf of the Company in order to thank for the support from our shareholders in the past 25 years.

Business was very challenging in a tough economical and an unstable political situations throughout most of the time in 2022. PC Partner has prioritized the focus to manage the inventories and the cashflow, and has successfully brought down the inventories to a comfortable level before end of the year and managed to achieve a decent positive operating cash inflow in 2022. Our trade receivables and the net cash level were at a comfortable level even through the net cash on hand has been decreased which was mainly due to dividend payout and profit tax payment during the year.

OUTLOOK

Although COVID-19 crisis seems coming to an end, the economical and political issues may last for a much longer period in 2023. Channel inventory level has reduced back to a comfortable level before end of last year; however, consumers may become more price-sensitive and reduce spending if the economic situation continues to deteriorate in this year.

Full year revenue is now projected to achieve a mild growth as compared with last year, while gross profit margin is anticipated to decline in this year. Company will continue to phase in new generation of video graphics cards ("VGA Cards") but also have to phase out old generation products with a certain level of discount. We foresee an improvement of profit margin once the product replacement cycle is completed later on this year.

ChatGPT as one of the latest hot topics and all other artificial intelligence developments require high performance hardware and powerful processors to process tons of data for machine learning. Metaverse seems to be cooling down recently but there are still lots of continuous development which may take some longer time to see how it will adopt to our everyday lives. The Group will continue to allocate resources to take part in these new business opportunities.

Our management team closely monitors the market situation and will take appropriate action to minimize risk from impacting our business. I would like to thank all employees again for their support, our directors for their counsel and all shareholders, customers and suppliers for their support throughout the year.

Wong Shik Ho Tony
Chairman and Chief Executive Officer

Hong Kong, 24 March 2023

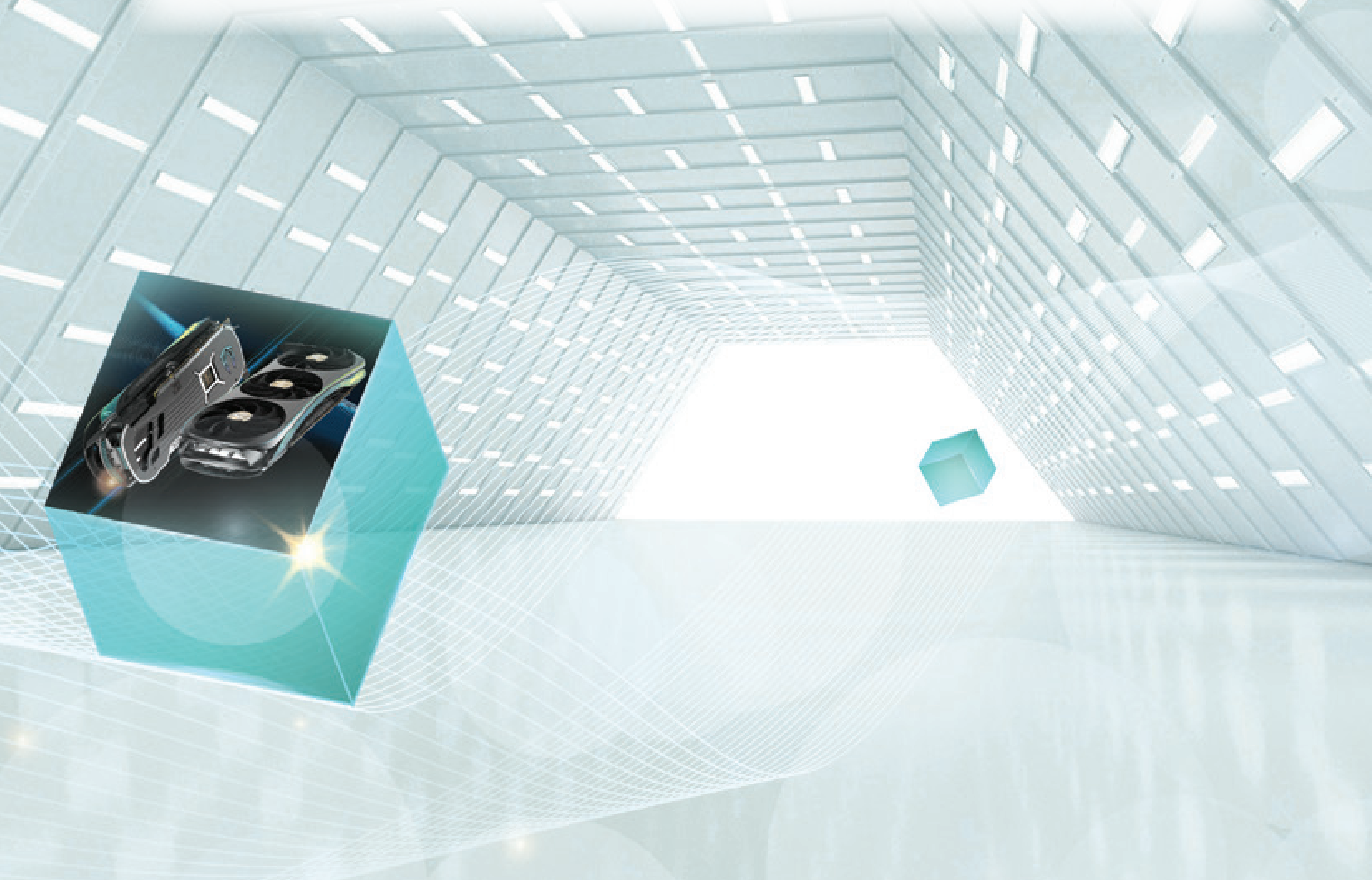
MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the design, manufacturing and trading of VGA Cards for desktop computer, electronics manufacturing services ("EMS") and manufacturing and trading in other personal computer ("PC") related products and components.

The Group manufactures VGA Cards for Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") customers and also manufactures and markets VGA Cards and other products under its own brands, namely ZOTAC, Inno3D and Manli. The business relationships with NVIDIA and AMD, the two globally dominant graphics processing unit ("GPU") suppliers, enable the Group to develop cost-competitive, high performance products and solutions to serve its customers. VGA Cards remain the core business of the Group for the year.

The Group provides EMS to globally recognised brands, including major providers of Automatic Teller Machines ("ATM") and Point-Of-Sales ("POS") systems, industrial devices, and various types of consumer electronic products. Aside from VGA Cards and the EMS businesses, the Group manufactures and sell other PC related products such as computers, motherboards, and other products and further derives revenue from trading of products and components.



Management Discussion and Analysis

Business Performance

Revenue has recorded a decrease of HK$4,683.8 million, or 30.3%, from HK$15,459.1 million in 2021 to HK$10,775.3 million in 2022. Sales performance was largely affected by the global economy slowdown which deteriorated quickly during the year. A mixture of high inflation, aggressive monetary policies, uncertainties of the war in Ukraine and the lingering COVID-19 crisis has discouraged consumer spending and corporate investment throughout most of the time in 2022.

VGA Cards business has recorded a decrease of HK$4,575.2 million, or 33.7%, from HK$13,570.0 million in 2021 to HK$8,994.8 million in 2022. Sales of own brand VGA Cards decreased by HK$3,032.4 million, or 30.5%, from HK$9,935.0 million 2021 to HK$6,902.6 million in 2022. Sales momentum of own brand VGA Cards remained strong in the first quarter until the war in Ukraine started hurting consumer spending and the strong U.S. dollar has further affected consumer purchasing power in many regions throughout the year. Average selling price ("ASP") of own brand VGA Cards turned from an increase of 6.7% in the middle of the year to a decline of 6.9% for full year of 2022 as compared to prior year. The decline of ASP was largely due to price promotion and discount to stimulate sales revenue and to clear slow moving inventories in the second half of the year.

ODM/OEM orders for VGA Cards decreased by HK$1,542.8 million, or 42.4%, from HK$3,635.0 million in 2021 to HK$2,092.2 million in 2022. Sales contributed by Crypto Mining Processor Cards ("CMP Cards") to professional miners under the ODM/OEM VGA Cards business has recorded a significant decline by HK$771.5 million, or 98.1% from HK$786.7 million in 2021 to HK$15.2 million in 2022. It was mainly due to a significant drop in cryptocurrency prices together with the fact that one of the major crypto coins no longer required VGA Cards for cryptocurrency mining during the year. The sales of ordinary VGA Cards to the ODM/OEM customers have recorded a decrease of HK$771.3 million, or 27.1%, from HK$2,848.3 million in 2021 to HK$2,077.0 million in 2022. The decline of ODM/OEM orders for VGA Cards was mainly due to a slowdown of global economy together with the fact that the demand of PC has been weakened after more and more countries have relieved travel, work from home, study online restrictions from the long lasting COVID-19 lockdowns.

EMS business has recorded an increase of HK$9.8 million, or 1.2%, from HK$819.1 million in 2021 to HK$828.9 million in 2022. It was mainly due to additional sales revenue contribution by new customers which had fully offset sales downtrend of some existing customers during the year. Sales of other PC related products and components business decreased by HK$118.4 million, or 11.1%, from HK$1,070.0 million in 2021 to HK$951.6 million in 2022. The drop was mainly associated with a slowdown of global economy together with a drop on demand of PC as a result of the recovery and returning to normal activities after the long lasting COVID-19 lockdowns.

Revenue of brand business decreased by HK$3,322.1 million, or 32.0%, from HK$10,369.4 million in 2021 to HK$7,047.3 million in 2022. Performance of brand business was affected by a mixture of high inflation, aggressive monetary policies, uncertainties of the war in Ukraine and the lingering COVID-19 crisis. The industry has experienced a slowdown of PC demand due to the recovery and returning to normal activities without further restriction on travel, work from home, study online after the long lasting COVID-19 lockdowns.

The ODM/OEM business which includes component trade has recorded a decrease in revenue of HK$1,361.7 million, or 26.8%, from HK$5,089.7 million in 2021 to HK$3,728.0 million in 2022. It was partially due to sales decline of CMP Cards of HK$771.5 million as there were significant drop in cryptocurrency prices and the fact that one of the major crypto coins no longer required VGA Cards for cryptocurrency mining during the year. The remaining portion of HK$771.3 million was mainly associated with decline of ODM/OEM orders for VGA Cards which was due to a slowdown of global economy and the weakening demand of PC after more and more countries have relieved travel, work from home and study online restrictions from COVID-19 lockdowns.

Year 2022 was an extraordinary year as business was high volatile. Regional business performance was largely distorted by global and regional political, economical and administrative policies throughout the year. The Asia Pacific ("APAC") region, the North and Latin America ("NALA") region, the People's Republic of China ("PRC") region and the Europe, Middle East, Africa and India ("EMEAI") region all have recorded a drop of revenue by 26.8%, 21.7%, 47.2% and 24.3% respectively.

Management Discussion and Analysis

APAC Region

In the APAC region, revenue decreased by HK$1,365.7 million, or 26.8%, from HK$5,099.7 million in 2021 to HK$3,734.0 million in 2022. It was mainly due to strong U.S. dollar has weakened consumer purchasing power in many countries such as Japan and Korea. In addition, the region has experienced a slowdown of demand on VGA Cards and PC due to the recovery and returning to normal activities after the long lasting COVID-19 lockdowns.

NALA Region

In the NALA region, revenue amounted to HK$2,078.4 million in 2022, representing a decrease of HK$575.7 million, or 21.7%, as compared to HK$2,654.1 million in 2021. The change was mainly due to a decline in demand of VGA Cards and PC and many Latin America countries also faced depreciation of currencies which has discouraged consumer spending.

PRC Region

In the PRC region, revenue amounted to HK$1,999.7 million in 2022, representing a decrease of HK$1,791.2 million, or 47.2%, as compared to HK$3,790.9 million in 2021. The decline was mainly associated with COVID-19 lockdowns in some major cities that have discouraged consumer spending and disrupted supply chain during the lockdown periods.

EMEAI Region

In the EMEAI region, revenue amounted to HK$2,963.2 million in 2022, representing a decrease of HK$951.2 million, or 24.3%, as compared to HK$3,914.4 million in 2021. The change was mainly associated with the war in Ukraine that has discouraged consumer spending and corporate investment in Europe during the year. Products were unable to be sold to Russia under sanctions which has also affected the regional business performance in 2022.

Business Compliance

The Group has achieved an on-going compliance with laws and regulations with its operating entities, and fulfilled different social responsibilities according to ISO9001, ISO14001, ISO45001, QC080000, ISO13485 and the code issued by Responsible Business Alliance ("RBA").

Principal Risks and Uncertainties

The Group has operated in a fast moving and highly competitive environment and the product life cycle tends to be shortened over the years. New products introduction requires significant resources involvement from development, production, sales and marketing. The Group will be at risk and may lag behind the competition if it cannot respond promptly to the changing business environment. Technological change may impose an adverse impact on the business if the Group is unable to adopt new technologies and develop the relevant products to catch the market trend on a timely basis. Talent is a key to success of technology company so that engineering and product development talents are critical to the Group. Lack of capable talents on design and development of new products is a risk to the Group on competitiveness. The Group would continue to review the human resources and look for suitable talents to join the Group in order to stay ahead of technology and develop new products efficiently against competition.

Business relationship with customers and suppliers are also crucial for the business success. The Group has established a long business partnership with AMD and NVIDIA, and rides on the technologies from these technology leaders to develop own products and gain the know-how of the technologies on business development. Discontinuance of the business partnership would be a threat to the Group. The Group would continue to maintain a strategic business relationship with the technology partners, customers and suppliers, and continue to explore new cooperation opportunities in the industry.

The growing tensions over trade and technology between the two biggest economies, China and the United States, is a threat to the global economy which may affect confidence in terms of consumer spending and corporate capital expenditure. A further trade restriction and tariff imposed on import and export of technology and products between China and the United States would increase the cost of products which will ultimately be passed onto consumers that may discourage and reduce consumer and corporate demand in the long run. Furthermore, it is still uncertain about the impact to the business of the Group of the revocation of the United States — Hong Kong Policy Act of 1992 in future. Most of the products manufactured by the Group rely on United States technologies. It is a risk to the Group if the United States restrict the export of consumer grade technologies to Hong Kong.

Appreciation of cryptocurrency prices usually generated a dramatic increase in demand of VGA Cards according to the past experience; however, the sales momentum would be lost once the cryptocurrency prices depreciated significantly. Those companies and individuals who bought machines and VGA Cards for cryptocurrency mining may end up with selling machines and equipment at a big discount in the market. The Group has experienced such impact in 2018 and ended up with a significant write down on inventories and sold VGA Cards at a discount or at a loss in order to reduce the inventory risk. If the cryptocurrency prices decline significantly in future, inventory risk may increase and the Group may be compelled to clear its on-hand inventories by selling products at a discount or at a loss again.

The Group is not aware of any other particular or important event that has occurred which would trigger a risk and uncertainty as at 31 December 2022.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's total revenue decreased by HK$4,683.8 million, or 30.3%, from HK$15,459.1 million in 2021 to HK$10,775.3 million in 2022. High inflation, aggressive monetary policies, uncertainties of the war in Ukraine, the lingering COVID-19 crisis has discouraged consumer spending and corporate investment throughout most of the time in 2022.

Revenue on VGA Cards decreased by HK$4,575.2 million, or 33.7%, from HK$13,570.0 million in 2021 to HK$8,994.8 million in 2022. Sales of own brand VGA Cards and ODM/OEM VGA Cards have recorded a decline by HK$3,032.4 million and HK$1,542.8 million respectively during the year. Sales of own brand VGA Cards decreased by HK$3,032.4 million, or 30.5%, from HK$9,935.0 million in 2021 to HK$6,902.6 million in 2022. Both sales volume and ASP has been dropped by 26.0% and 6.9% respectively. The decline was mainly due to a weak demand of VGA Cards and the fact that the Group has offered more price promotion and discount to stimulate sales revenue in the second half of the year.

ODM/OEM orders on VGA Cards decreased by HK$1,542.8 million, or 42.4%, from HK$3,635.0 million in 2021 to HK$2,092.2 million in 2022. Sales contributed by CMP Cards to professional miners under the ODM/OEM VGA Cards business has recorded a significant decline by HK$771.5 million, or 98.1%, from HK$786.7 million in 2021 to HK$15.2 million in 2022. The decline was mainly associated with the fact that the cryptocurrency prices dropped significantly together with the fact that one of the major crypto coins no longer required VGA Cards for cryptocurrency mining during the year. The sales of ordinary VGA Cards to the ODM/OEM customers has recorded a decrease of HK$771.3 million, or 27.1%, from HK$2,848.3 million in 2021 to HK$2,077.0 million in 2022. The change was mainly resulted from a decrease of sales volume by 27.1% as the global economy slowed down together with the weakening demand of PC after more and more countries has relieved travel, work from home and study online restrictions after the long lasting COVID-19 crisis.

Revenue derived from the EMS business amounted to HK$828.9 million in 2022, representing an increase of HK$9.8 million, or 1.2%, as compared to HK$819.1 million in 2021. It was mainly due to additional sales revenue contribution by new customers which has fully offset sales downtrend of some existing customers during the year.

Sales of other PC related products and components decreased by HK$118.4 million, or 11.1%, from HK$1,070.0 million in 2021 to HK$951.6 million in 2022. The drop was mainly associated with a slowdown of global economy together with a drop on demand of PC with recovery and returning to normal activities after the long lasting COVID-19 crisis.

Gross Profit and Margin

The Group's gross profit in 2022 was HK$1,563.0 million, representing a decrease of HK$2,724.2 million, or 63.5%, as compared with HK$4,287.2 million in 2021. Gross profit margin was 14.5% in 2022 as compared with 27.7% in 2021. Decline of gross profit margin was mainly associated with price promotion to stimulate sales of own brand VGA Cards and clearance of the last generation of VGA Cards by discount in the second half of the year. Drop in sales volume across all business segments has also resulted in a decline of gross profit and margin in 2022.

Material cost as a percentage of sales increased by 12.8% from 70.4% in 2021 to 83.2% in 2022 which was mainly resulted from sales discount offered to customers under own brand VGA Cards. The Group has spent less on conversion cost which consisted of direct labour and production overheads for a total of HK$37.9 million, or 13.3%, from HK$285.9 million in 2021 to HK$248.0 million in 2022. The change was associated with sales volume decline and part of the savings was contributed by increase in automation of manufacturing processes to replace labour resources as a long term manufacturing strategy.

Other Revenue and Other Gains and Losses

Other revenue and other gains and losses decreased by HK$125.3 million, or 101.1%, from a gain of HK$123.9 million in 2021 to a loss of HK$1.4 million in 2022. The change was mainly due to a significant decline of the gain on disposal of property, plant and equipment for HK$78.3 million, or 99.5%, from HK$78.7 million in 2021 to HK$0.4 million in 2022. Since the above machinery for leasing was sold in 2021, the relevant rental income has declined by HK$37.7 million as there was no such rental income generated in 2022. The Group has received HK$2.2 million more government grants in 2022 as compared to prior year. It was mainly due to 2022 Employment Support Scheme under the Anti-epidemic Fund launched by Hong Kong SAR Government supporting payroll of the Group's employees in Hong Kong. The Group has incurred more net exchange loss by HK$4.9 million, or 19.2%, from HK$25.5 million in 2021 to HK$30.4 million in 2022. In addition, the Group has less chargeback to customers on freight costs under sundry income but has collected more on interest income in 2022 as compared to prior year.

Operating Expenses

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment losses on financial assets and finance costs, decreased by HK$666.5 million, or 49.6%, from HK$1,344.4 million in 2021 to HK$677.9 million in 2022. The change was mainly due to a significant decline in impairment loss of financial assets by HK$321.2 million and the Group has also incurred less selling and distribution expenses as well as lower spending on directors' profit sharing and staff bonus and depreciation under administrative expenses in 2022 as compared to 2021.

Selling and distribution expenses decreased by HK$64.3 million, or 34.6%, from HK$185.8 million in 2021 to HK$121.5 million in 2022. Freight and transportation expenses under selling and distribution expenses decreased by HK$16.4 million, or 33.0%, from HK$49.7 million in 2021 to HK$33.3 million in 2022. It was mainly due to a lower sales volume and easing of logistic congestion with less spending on air freight during the year. In addition, provision of return mechanize, sales commission and marketing expenses together decreased by HK$58.6 million, or 70.2%, from HK$83.5 million in 2021 to HK$24.9 million in 2022, and such decrease was in line with sales drop in the year.

Management Discussion and Analysis

Administrative expenses were HK$293.4 million lower than last year, which decreased by 35.9% from HK$816.7 million in 2021 to HK$523.3 million in 2022. Staff cost included directors' remuneration under administrative expenses decreased by HK$259.2 million, or 38.4%, from HK$675.4 million in 2021 to HK$416.2 million in 2022. It was mainly associated with a lower level of staff performance bonus and directors' profit sharing due to the profit decline for the year. Other administrative expenses decreased by HK$34.2 million, or 24.2%, from HK$141.3 million in 2021 to HK$107.1 million in 2022 which was mainly due to decrease in depreciation since the Group has sold out the machinery for leasing in last year.

The impairment losses on financial assets decreased by HK$321.2 million, or 99.8%, from HK$321.7 million in 2021 to HK$0.5 million in 2022. There was one-off impairment loss incurred for a customer in 2021 and there was no further material impairment loss incurred in 2022.

Finance costs increased by HK$12.4 million, or 61.4%, from HK$20.2 million in 2021 to HK$32.6 million in 2022. The increase was mainly due to increase in interest rate and a higher utilization of bank borrowings to finance the business operation during the year.

Share of loss of a joint venture decreased by HK$96.1 million, or 70.4%, from HK$136.6 million in 2021 to share of loss of HK$40.5 million in 2022. The change was due to the cessation of operation of the joint venture since July 2021 and the Group fully recognised its share of loss up to the carrying value of the joint venture investment of HK$40.5 million.

Profit attributable to Owners of the Company

The Group recorded a profit attributable to owners of the Company of HK$702.5 million in 2022 as compared with HK$2,374.3 million in 2021. The decrease was mainly due to a reduction of gross profit which has been partially offset by a lower level of operating expenses in 2022.

Income tax expenses of HK$141.3 million were recorded in 2022 which decreased by HK$412.3 million, or 74.5%, from HK$553.6 million in 2021. The change was mainly due to a decrease in profit of major operating subsidiaries of the Company during the year.

Earnings per share and Dividends

The profit attributable to owners of the Company in 2022 was HK$702.5 million which resulted in basic earnings of HK$1.81 per share and diluted earnings of HK$1.81 per share. Profit attributable to owners of the Company in 2021 was HK$2,374.3 million with basic earnings of HK$6.21 per share and diluted earnings of HK$6.14 per share. The Board does not propose any final dividend for the year ended 31 December 2022. However, the Board propose a special dividend of HK$0.25 per share for the year ended 31 December 2022 and it is estimated to be HK$96.9 million in total, to celebrate the Group's 25th anniversary.

LIQUIDITY AND FINANCIAL RESOURCES

Shareholders' Funds

Total shareholders' funds decreased by HK$238.6 million, or 7.7%, from HK$3,087.4 million as at 31 December 2021 to HK$2,848.8 million as at 31 December 2022.

Financial Position

Total non-current assets increased by HK$464.0 million, or 172.1%, from HK$269.6 million as at 31 December 2021 to HK$733.6 million as at 31 December 2022. The change was mainly due to purchase of a property in Hong Kong for internal use together with capital expenditure for factories which offset the decrease in interest in a joint venture as at 31 December 2022.

Net book value of property, plant and equipment increased by HK$502.2 million, or 533.1%, from HK$94.2 million as at 31 December 2021 to HK$596.4 million as at 31 December 2022. The Group has incurred capital expenditure for HK$135.8 million to enhance production efficiency, automation and office improvements and also spent HK$403.1 million for an acquisition of property and car parks in Hong Kong for internal use. The Group recognised its share of loss of a joint venture for HK$40.5 million as at 31 December 2022. The right-of-use assets increased by HK$7.6 million, or 6.7%, from HK$114.2 million as at 31 December 2021 to HK$121.8 million as at 31 December 2022. The change was mainly due to the depreciation of right-of-use assets associated with lease contracts on land and buildings. Deferred tax assets decreased by HK$5.7 million, or 58.8%, from HK$9.7 million as at 31 December 2021 to HK$4.0 million as at 31 December 2022. It was mainly due to realisation of deferred tax assets charged to profit or loss during the year.

Other financial asset decreased by HK$2.2 million from HK$3.5 million as at 31 December 2021 to HK$1.3 million as at 31 December 2022. It was mainly due to change in fair value of unlisted equity investment.

The Group has total current assets of HK$5,421.8 million as at 31 December 2022 and HK$6,654.8 million as at 31 December 2021. The Group's total current liabilities amounted to HK$3,207.1 million as at 31 December 2022 and HK$3,738.9 million as at 31 December 2021. The Group's current ratio, defined as total current assets over total current liabilities, was reduced from 1.8 as at 31 December 2021 to 1.7 as at 31 December 2022.

The Group's cash and bank balances decreased from HK$3,765.1 million as at 31 December 2021 to HK$2,207.3 million as at 31 December 2022. The change was mainly due to a total of HK$934.3 million dividend paid and HK$700.7 million of profits tax and provisional tax paid during the year. In addition, the Group has acquired a property in Hong Kong for a total capitalised value of HK$403.1 million together with capital expenditure of HK$135.8 million for the Group during the year. The Group has incurred additional borrowings which included import loans and the mortgage loan for the property in Hong Kong for a total of HK$1,738.7 million as at 31 December 2022 as compared to HK$702.3 million as at 31 December 2021. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounting to HK$30.9 million and non-current lease liabilities amounting to HK$97.2 million as at 31 December 2022. The Group's net cash to equity ratio (being cash and cash equivalents minus debts divided by total equity) decreased from 95.2% as at 31 December 2021 to 11.9% as at 31 December 2022. The change was mainly due to a decrease of cash and bank balances and an increase of borrowings as at 31 December 2022. Gearing ratio was not presented as the Group was at a net cash position as at 31 December 2021 and 2022.

Management Discussion and Analysis

Trade and other receivables under current assets consisting of both trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment decreased by HK$46.5 million, or 3.6%, from HK$1,307.1 million as at 31 December 2021 to HK$1,260.6 million as at 31 December 2022. Trade receivables at amortised cost decreased by HK$59.8 million, or 4.9%, from HK$1,215.6 million as at 31 December 2021 to HK$1,155.8 million as at 31 December 2022. Trade receivables at fair value through profit or loss in factoring arrangement increased by HK$2.9 million, or 11.2%, from HK$26.0 million as at 31 December 2021 to HK$28.9 million as at 31 December 2022. Other receivables, deposits and prepayment under current assets increased by HK$10.4 million, or 15.9%, from HK$65.5 million as at 31 December 2021 to HK$75.9 million as at 31 December 2022. It was mainly associated with deposit paid to a supplier of HK$8.2 million as at 31 December 2022.

Trade and other payables decreased by HK$892.6 million, or 41.9%, from HK$2,130.4 million as at 31 December 2021 to HK$1,237.8 million as at 31 December 2022. Trade payables decreased by HK$637.3 million, or 39.8%, from HK$1,602.7 million as at 31 December 2021 to HK$965.4 million as at 31 December 2022. It was mainly associated with a decrease in purchase of materials which aligned with business slowdown in the second half of the year. Other payables decreased by HK$255.3 million, or 48.4%, from HK$527.7 million as at 31 December 2021 to HK$272.4 million as at 31 December 2022. The change was mainly due to a decrease of provision of staff performance bonus and directors' profit sharing of HK$254.7 million during the year.

Under HKFRS 15, the Group is required to report provision of sales return warranty under refund liabilities in the current liabilities section and the relevant costs of return is reported under the right of return assets in the current assets section. Right of return assets decreased by HK$1.5 million, or 2.1%, from HK$71.1 million as at 31 December 2021 to HK$69.6 million as at 31 December 2022. Refund liabilities decreased by HK$12.6 million, or 13.1%, from HK$96.4 million as at 31 December 2021 to HK$83.8 million as at 31 December 2022. The change was mainly due to a sales decline, which resulted in a decrease of sales return warranty provision under refund liabilities and the costs of return reported under the right of return assets as at 31 December 2022.

Contract liabilities has substantially decreased by HK$133.1 million, or 63.5%, from HK$209.6 million as at 31 December 2021 to HK$76.5 million as at 31 December 2022. The change was mainly due to a significant decrease of customer prepayment to secure purchase of products as at 31 December 2022. Provision for product warranties decreased by HK$21.7 million, or 35.5%, from HK$61.1 million as at 31 December 2021 to HK$39.4 million as at 31 December 2022 which was mainly due to a decrease in cost incurred to repair products. Current tax liabilities decreased from HK$513.0 million as at 31 December 2021 to tax recoverable of HK$52.4 million as at 31 December 2022. The change was mainly due to profits tax for 2021 and provisional tax being paid during the year and the profit for the year of 2022 significantly declined so that the Group has recorded less profit tax provision as at 31 December 2022.

Exposure to Fluctuation in Exchange Rates

As at 31 December 2022, the Group was exposed to currency risk primarily through sales and purchases denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to the risk are primarily Renminbi, Euro, Korean Won and Japanese Yen. The Group entered into one forward exchange contract in 2021 and 2022.

Working Capital

Inventories of the Group as at 31 December 2022 were HK$1,831.9 million which increased by HK$320.4 million, or 21.2%, as compared with HK$1,511.5 million as at 31 December 2021. Inventory turnover days increased from 40 days as at 31 December 2021 to 66 days as at 31 December 2022. The change was mainly associated with a slowdown of sales which induced a higher inventory turnover days.

Trade receivables as at 31 December 2022 were HK$1,184.7 million, which decreased by HK$56.9 million, or 4.6%, as compared with HK$1,241.6 million as at 31 December 2021. Trade receivable turnover days increased from 31 days as at 31 December 2021 to 41 days as at 31 December 2022. The change of trade receivable turnover days was mainly due to slowdown of customer payment during the year.

Trade payables as at 31 December 2022 were HK$965.4 million, which decreased by HK$637.3 million, or 39.8%, as compared with HK$1,602.7 million as at 31 December 2021. Trade payable turnover days increased from 47 days as at 31 December 2021 to 51 days as at 31 December 2022 which was mainly due to some of the vendors have offered longer payment terms during the year.

CHARGES ON ASSETS

As at 31 December 2022, bank deposits of HK$0.3 million were pledged to a bank to secure the corporate credit card granted to the Group.

As at 31 December 2022, the Group had pledged certain office premises with an aggregate carrying value of approximately HK$369.8 million to a bank.

CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes borrowings and lease liabilities and equity of the Group, comprising share capital, reserves and retained earnings disclosed in the consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of below 100% determined as the proportion of net debt to equity.

CAPITAL EXPENDITURE

The Group's additions to property, plant and equipment in 2022 amounted to HK$538.9 million.

Management Discussion and Analysis

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2022, total capital commitments amounted to HK$3.8 million, and there was no material contingent liability or off balance sheet obligation.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no plan for material investment or acquisition of capital assets as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed herein, there are no important events that have occurred after the year ended 31 December 2022 and up to the date of this report.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group had 2,714 employees (2021: 3,029 employees). Employees are remunerated on the basis of their individual performance and prevailing industry practice. Compensation policies and remuneration packages of the employees are reviewed at least once a year. In addition to basic salary, medical benefits, provident fund, performance related bonuses may also be awarded to employees.

The Company 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. On 17 June 2016, the Company adopted another share option scheme ("2016 Share Option Scheme") as incentives or rewards to its directors, employees, consultants and other participants of the 2016 Share Option Scheme for their retention and contribution or potential contribution to the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

On 31 May 2022, PC Partner Properties Limited ("PCP Properties"), an indirect wholly owned subsidiary of the Company, acquired an office situated at 28th Floor, NCB Innovation Centre (the "Building"), 888 Lai Chi Kok Road, Kowloon, Hong Kong from Good Sense Development Limited (the "Vendor") as the Group's headquarter at a consideration of HK$353.9 million (after deduction of a special cash rebate paid by the Vendor). On 1 August 2022, PCP Properties further acquired 20 car parking spaces of the Building from the Vendor for the Group's own use at a total consideration of HK$30.0 million (after deduction of a special cash rebate paid by the Vendor).

Details of the above acquisitions were provided in the Company's announcements dated 9 February 2022 and 30 June 2022 respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS ESG REPORT

Objective

PC Partner Group Limited ("the Company" together with its subsidiaries shall be referred to as "the Group", or "we") is pleased to present the Environmental, Social and Governance ("ESG") report (the "Report"), which summarised the ESG initiatives and accomplishments for the financial year ended 31 December 2022 ("Reporting Period" or "2022"). The Report serves the following purposes:

- communicate to all stakeholders the Group's achievement in practicing corporate social responsibility;
- promote sustainable development; and
- focus on the environmental and social issues that may have impacts on stakeholders' interests.

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx") and with reference to the Global Reporting Initiative ("GRI") Standards issued by Global Sustainability Standards Board ("GSSB"), for the purpose of identifying and making disclosure of the material matters and key performance indicators in relation to the Group's environmental, social and governance and promoting the full implementation of sustainable development and social responsibilities by the Group.

Participation of Board of Directors

The Group's ESG philosophy is to create long-term value for its stakeholders that aligns with the strategic development and sustainability of its business. The Board of Directors (the "Board") believes sound corporate governance is the foundation for promoting and safeguarding the interests of shareholders and other stakeholders. Hence, the Group is committed to maintaining a rigorous framework of corporate governance with an aim to create values for the environment, society and stakeholders and align with the corporate's sustainability strategies.

The Board is composed of members from the management committees of the Group who also sit on the boards of various companies within the Group with relevant expertise and skills, ensuring the ability to effectively oversee the ESG matters of the Group. The Board endeavours to support the Group's commitment to incorporating sustainable development into the consideration of its corporate development strategies. The Board has overall responsibility for formulating strategies, monitoring and managing ESG-related risks as well as ensuring the effectiveness of ESG risk management and internal control systems. The ESG issues are discussed in the Board at least once every year.

Environmental, Social and Governance Report

We have established a two-tier governance structure, which consists of the Board and the ESG working team. The Board is responsible for the Group's ESG strategy and reporting and ensuring the Group has effective ESG management and internal control systems in place. Led by our Chief Financial Officer ("CFO"), our ESG working team is responsible for collecting, analysing and verifying ESG data to assist the Board in handling ESG-related matters, including: (i) identify and assess the Group's ESG-related risks; (ii) evaluate the implementation and effectiveness of the Group's policies and practices on corporate governance and ESG; (iii) review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the Listing Rules; (iv) examine and review the Group's ESG performance against its ESG-related goals and targets and (v) make any other recommendations to the Board as it deems appropriate on any area within its scope of duties where action or improvement is needed. The ESG working team's findings, decisions and recommendations are reported to the Board and discussed through meetings at least once every year. Where appropriate, external advisors would be engaged to provide expertise and professional advice for the ESG management process.

The Board will continuously review its business strategies to ensure that environmental and social impacts are assessed and minimised.

Report scope and boundaries

This Report covers the environmental impacts brought by the Company's manufacturing of computer electronic products located in the People's Republic of China ("PRC") (i.e. 東莞栢能電子科技有限公司 ("PC Partner Dongguan"), a wholly owned subsidiary of the Company) and the social impacts brought by the Group for the Reporting Period. The source of data in preparing the Report is primarily based on the Group's internal policies and documents as well as information provided by various key stakeholders.

The Group will continue to optimise our data collection and reporting system over the three aspects — environmental management, social responsibility and governance, and gradually expand the disclosure scope to improve the quality and comprehensiveness of the ESG report in the long term.

Reporting Principles

In the course of the Report's preparation, we have adhered to the following reporting principles set out in the ESG Reporting Guide:

Principle	Context	Our Action
Materiality	The Report should contain issues that reflect material ESG impact or substantially affect stakeholders.	We communicated with our stakeholders to understand their concerns relating to issues that reflect material ESG impact and conducted materiality assessment to identify and prioritise the material sustainability topics.
Quantitative	The Report should disclose key performance indicators in ways that can be measured so that the effectiveness of ESG policies and management systems can be evaluated and validated.	We measured and presented key performance indicators, quantitative information and the methodologies in collecting the data, where applicable.
Balance	The Report should provide an unbiased picture of our performance. The Report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the Report reader.	We kept the Report balanced and made fair disclosures on key ESG aspects. We disclosed both achievements and challenges in this Report.
Consistency	The Report should use consistent methodologies of ESG data over time. Any changes to the methods used or any other relevant factors affecting the methodologies should be disclosed in the Report.	We reported in accordance with the ESG Reporting Guide and with reference to the GRI Standards. We adopted consistent methodologies in this Report and there are no material changes in the reporting approach and methodologies from those adopted by the Group in the previous reporting period.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group believes understanding and taking actions to address key stakeholders' concerns and meet with their expectations are essential to achieve sustainable development. As part of the business strategy, the Group actively engages key stakeholders through a variety of communication channels to understand their concerns and expectations which in turn to improve the business strategies and positioning to create values for the environment, society and stakeholders. The following table shows the expectations and concerns of the major stakeholders as identified by the Group, and the corresponding management responses.

Stakeholders	Communication channels	Expectations and concerns	Management feedback
The Board	— Board meetings — Committee meetings — Annual general meeting — Emails	— Corporate governance — Regulatory compliance — Financial performance — Strategic development	— Report to the Board regularly on the financial performance and strategic plans and development through emails, board meetings and committee meetings; and — Monitor law and regulation updates, and strictly comply with all regulatory requirements.
Shareholders and Investors	— Annual general meeting and other shareholders' meetings — Financial reports — Announcements and circulars — Company website and emails — Investor meetings	— Corporate governance — Business strategy and performance — Investment returns	— Release corporate governance information, operating data and financial results (annual report/interim report/announcement) in due course; and — Actively listen to the views and needs of shareholders and investors through conducting general meeting.

Stakeholders	Communication channels	Expectations and concerns	Management feedback
Customers	— Site visits — After sales services	— Product quality — Delivery time — Financial performance — Service value — Compliance with laws and regulations	— Enhance the quality of pre-sales, in-sales and after-sales services; — Maintain the production lead time; — Collect customer feedback through customer satisfaction survey; — Immediately follow-up and handle customer complaints; — Earnestly protect customer privacy; and — Ensure the materials used in products are in compliance with applicable laws and regulation.
Employees	— Training — Interviews for employees — Employee handbook — Internal notices — Emails	— Rights and benefits — Remuneration and compensation — Training and development — Career development — Health and safety — Working environment	— Formulate competitive remuneration package and provide fair career development path; — Provide regular trainings; — Listen to employees' voices through various channels; and — Strengthen safety management and ensure that the production processes comply with safety standards.

Environmental, Social and Governance Report

Stakeholders	Communication channels	Expectations and concerns	Management feedback
Suppliers	— Selection assessment — Procurement process — Performance assessment — Regular communication	— Payment schedule — Stable demand — Fair and open tendering — Financial strength	— Maintain open and transparent tendering process, and provide equal competition opportunity to suppliers; — Closely communicate with suppliers in a proactive manner; and — Check on the qualification of suppliers regularly and monitor market supply and demand closely.
Media, community and the public	— Company website — Public relation through emails, phone calls and interviews — Participation in local community activities and volunteering work — Charitable donations	— Environmental protection — Employment and community development — Social contribution — Compliance with laws and regulations	— Actively participate in charity activities and community donation; — Create job opportunities; and — Monitor law and regulation updates, and strictly comply with all regulatory requirements.

MATERIALITY ASSESSMENT

The Group conducts materiality assessment on ESG-related topics annually based on the feedback from stakeholders. Factors such as the Group's business strategies, objectives and internal policies, industry standards, legal and regulatory responsibilities, environmental protection, use of resources, employee protection, etc. were considered in order to identify the ESG issues and impacts that are of most concern to the Group's business operations and stakeholders and determine the material ESG issues to be disclosed in this Report.

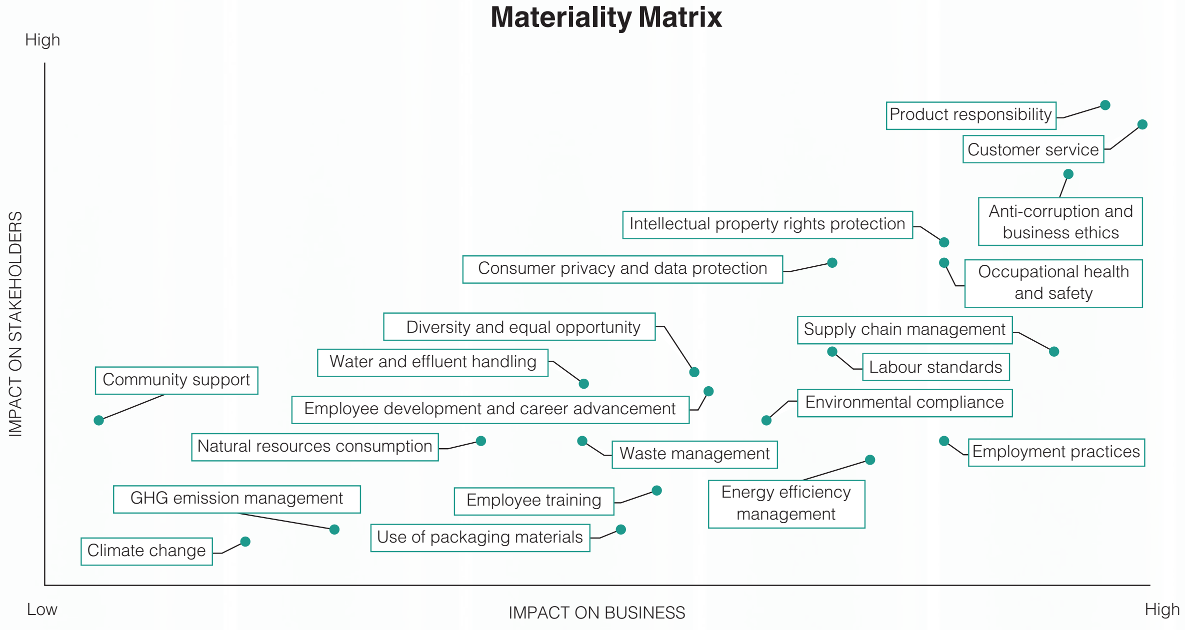
The procedures for the materiality assessment are as follow:

Step 1: Identification — With reference to the sustainability topics listed in the ESG Reporting Guide and GRI Standards and the issues of concern to industry peers, 21 ESG issues were identified based on their impact on the decision-making of stakeholders and our business operations:

<table>
<tr><th colspan="3">ESG Aspects</th><th>No.</th><th>ESG Issues</th></tr>
<tr><td colspan="2" rowspan="8">A. Environmental</td><td rowspan="3">A1: Emissions</td><td>1</td><td>Greenhouse gas (“GHG”) emission management</td></tr>
<tr><td>2</td><td>Waste management</td></tr>
<tr><td>3</td><td>Water and effluent handling</td></tr>
<tr><td rowspan="2">A2: Use of Resources</td><td>4</td><td>Energy efficiency management</td></tr>
<tr><td>5</td><td>Use of packaging materials</td></tr>
<tr><td rowspan="2">A3: The Environment and Natural Resources</td><td>6</td><td>Environmental compliance</td></tr>
<tr><td>7</td><td>Natural resources consumption</td></tr>
<tr><td>A4: Climate Change</td><td>8</td><td>Climate change</td></tr>
<tr><td rowspan="13">B. Social</td><td rowspan="6">Employment and Labour Practices</td><td rowspan="2">B1: Employment</td><td>9</td><td>Employment practices</td></tr>
<tr><td>10</td><td>Diversity and equal opportunity</td></tr>
<tr><td>B2: Health and Safety</td><td>11</td><td>Occupational health and safety</td></tr>
<tr><td rowspan="2">B3: Development and Training</td><td>12</td><td>Employee training</td></tr>
<tr><td>13</td><td>Employee development and career advancement</td></tr>
<tr><td>B4: Labour Standard</td><td>14</td><td>Labour standards</td></tr>
<tr><td rowspan="6">Operating Practices</td><td>B5: Supply Chain Management</td><td>15</td><td>Supply chain management</td></tr>
<tr><td rowspan="4">B6: Product Responsibility</td><td>16</td><td>Customer service</td></tr>
<tr><td>17</td><td>Product responsibility</td></tr>
<tr><td>18</td><td>Intellectual property rights protection</td></tr>
<tr><td>19</td><td>Consumer privacy and data protection</td></tr>
<tr><td>B7: Anti-corruption</td><td>20</td><td>Anti-corruption and business ethics</td></tr>
<tr><td>Community</td><td>B8: Community Investment</td><td>21</td><td>Community support</td></tr>
</table>

Environmental, Social and Governance Report

Step 2: Prioritisation — To determine the materiality of the ESG issues, we have assessed and scored the relevance/importance of each of the ESG issues based on the survey conducted in previous reporting period by our senior management and key stakeholders on a scale of 1 (the least important) to 6 (the most important). The 21 ESG issues were prioritised and plotted on the following materiality matrix according to their relative degree of importance in order to assess the materiality. Vertical axis of the below materiality matrix shows the result of external assessment (impact on stakeholders) and horizontal axis presents the internal assessment result (impact on business). The ESG issues that fall within top right-hand quadrant are of greatest importance.



Step 3: Application — According to the materiality matrix, “Customer service”, “Product responsibility”, “Anti-corruption and business ethics”, “Intellectual property rights protection”, and “Occupational health and safety” were identified as issues of higher importance. The results of this material assessment were used to guide our disclosure alignment, as well as strategic planning and risk management. The Group’s responses to these important issues have been elaborated in more details in the following sections of this Report. Looking forward, the Group will continue to enhance its ESG governance and performance in response to stakeholders’ expectations on the Group.

A. ENVIRONMENTAL

PC Partner Dongguan's business operations are manufacturing-based, in which significant emissions are mainly related to its electricity consumptions. Despite the inevitable but insignificant environmental impact the PC Partner Dongguan's operations has made to the environment, PC Partner Dongguan actively integrates green protection concepts and implements a series of environmental protection measures into its daily manufacturing operations to achieve the goal of alleviating adverse impacts on the environment. PC Partner Dongguan has spent significant effort in reducing its energy and water consumption, carbon emission and waste disposal, and has taken initiatives to achieve long-term sustainability in business and environment.

A1. Emissions GRI 2, 3, 305, 306

As PC Partner Dongguan is principally engaged in manufacturing business, there is a certain level of air pollutant, such as nitrogen oxides, sulphur oxides and particulate matter generated, as well as an insignificant volume of hazardous waste produced during the manufacturing operations. The emission of air pollutant in 2022 has decreased as compared to 2021 due to reduced demand in electricity generation using diesel. The major emissions of PC Partner Dongguan are GHG emissions and solid wastes generated from its daily operations.

In strict compliance with the laws and regulations, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Air Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), the Emission Standard for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》), PC Partner Dongguan has formulated GHG Management Guideline (《溫室氣體管理指引》), Exhaust Gas Control Procedure (《廢氣控制程序》), Waste Effluent Control Procedure (《廢水廢液控制程序》), Litter Control Procedure (《廢棄物管理程序》), and Litter Management Guideline (《廢棄物管理工作指引》) to provide guidance for its staff on managing the emissions and wastes produced from the manufacturing operations. During the Reporting Period, there was no non-compliance regarding emissions that has brought against the Group or PC Partner Dongguan.

GHG emissions

Electricity is the key source of energy of PC Partner Dongguan's business and its major source of GHG emissions. This is attributed to the uses of tin furnaces and soldering furnaces, kitchen exhaust systems and generators during the daily operations. Other minor sources of emissions include the paper waste disposed at landfills and the fuel consumed by the business air travels by our employees.

Environmental, Social and Governance Report

To show our commitment in managing our emissions, PC Partner Dongguan has made enormous efforts by implementing the following measures to (1) reduce discharges and emissions and (2) enhance energy efficiency:

Measures for reducing discharges and emissions	Measures for enhancing energy efficiency
1. Improving operation schedules to reduce the number of operating hours and hence emissions; 2. Streamlining production plans to boost production efficiency and shorten production time; 3. Installing emission reduction facilities (e.g. emission filters installed in generators and kitchen, air filters are installed in tin furnaces and soldering furnaces) to cut down emissions; 4. Carrying our regular maintenance and repair for the environmental equipment to ensure proper functioning; 5. Applying nitrogen welding technology to reduce tin oxidisation in order to reduce tin wastage significantly; recasting scrap tin into tin bars (recovery rate: 90% above) for reuse to reduce waste; 6. Shortening the kitchen time with better arrangement on cooking; and 7. Reducing the number of business air travels and using alternative means of communication by teleconference or video conference to replace meetings and trainings which requires long travelling.	1. Continuously enhancing the usage of production equipment to reduce electricity consumption; 2. Continuously enhancing the layout of workshops and production lines according to the capacity needs to improve energy efficiency; 3. Enhancing modification and maintenance of equipment with heavy energy consumption, such as air conditioners and air compressors; and 4. Retiring of old machinery and equipment and replace by new equipment with a great energy efficiency.

With the implementation of the above measures together with the decrease of production output during the Reporting Period, PC Partner Dongguan's total GHG emissions per million HK$ of cost of production output decreased by 34.35% from 1.6964 tonnes of CO_2 per million HK$ of cost of production output in 2021 to 1.1137 tonnes of CO_2 per million HK$ of cost of production output in 2022.

Meanwhile, PC Partner Dongguan's atmospheric emissions from tin furnaces, soldering furnaces and kitchens successfully passed the annual compliance tests undertaken by the third-party professional organisations on the standards in China (e.g. Emission Limits of Air Pollutants (DB44/27–2001), Integrated Emission Standard of Air Pollutants (GB16297–1996), Emission Standard of Cooking Fume (GB18483–2001).

Looking forward, PC Partner Dongguan will continue to implement necessary measures to reduce the GHG emissions. It has set a target for 2023 to reduce GHG emissions per million HK$ of cost of production output by 1% using 2022 as the baseline year.

Wastes

Non-hazardous waste

Waste paper, scrap metals and waste plastic are PC Partner Dongguan's major source of non-hazardous waste, which are often produced during its production process and from its household garbage. Employees' daily activities also generate a small amount of non-hazardous domestic wastewater. Guided by our Litter Control Procedure (《廢棄物管理程序》) and Litter Management Guideline (《廢棄物管理工作指引》), non-hazardous waste generated from the production process is sorted and sold to respective recyclers, and any improper disposal of recyclable and reusable non-hazardous waste is strictly prohibited. Household garbage is brought to a central collection point and transported to municipal refuse treatment organisations for further processing. PC Partner Dongguan has also made considerable efforts in controlling the consumption and production of non-hazardous waste by implementing the measures below:

- Employees are reminded to adopt two-sided printing, reuse single-side used paper, adopt electronic means of communications (such as email, mobile and website) and use e-version of documents;

- Recyclable and reusable waste is collected and transported to green service providers for recycling and reuse;

Environmental, Social and Governance Report

- Waste paper and waste plastic that cannot be recycled directly are sold to respective recyclers for processing into reusable materials;

- Household solid waste is collected and transported to municipal environmental service providers for neutralisation treatment; and

- Household wastewater is discharged to the municipal sewer system for treatment and tested every year to ensure compliance with discharge standards.

During the Reporting Period, PC Partner Dongguan produced 0.0059 tonnes of non-hazardous waste per million HK$ of cost of production output, representing a decrease of 59.31% as compared to 2021 with the effective implementation of the above measures. The wastewater generated from cleansing was collected and transported to qualified service provider for neutralisation treatment. To effectively reduce the production of wastewater, PC Partner Dongguan has installed sewage treatment facilities in its premises, so that the wastewater could be reused and utilised through the purification process. These sewage treatment facilities have started operating in 2022.

PC Partner Dongguan has set a target for 2023 to reduce non-hazardous waste produced per million HK$ of cost of production output by 1% using 2022 as the baseline year.

Hazardous waste

Except for non-hazardous waste, the manufacturing process of PC Partner Dongguan also generates a small amount of hazardous waste, which are mainly the liquid waste, discarded cloths, PCB trims and scarps and scrap tin. A tracking and treatment process was established by PC Partner Dongguan to handle the hazardous waste, all of which is delivered to green service providers for neutralisation treatment in accordance with laws and regulations in China. Apart from verifying the qualifications of the green service providers, audits were also performed to ensure they meet the selection criteria, and continue working towards the target to minimise and ultimately eliminate all wastes.

During the Reporting Period, PC Partner Dongguan generated 0.0008 tonnes of hazardous waste per million HK$ of cost of production output, maintaining at a similar level as compared to 2021.

PC Partner Dongguan has set a target for 2023 to reduce hazardous waste produced per million HK$ of cost of production output by 1% using 2022 as the baseline year.

General waste reduction measures

In addition to the above measures specifically for non-hazardous waste and hazardous waste, PC Partner Dongguan has also implemented the general waste reduction measures for both non-hazardous waste and hazardous waste, including:

- Continuous reducing waste through the improvement of production techniques. For example, introducing cleaning-free technique to minimise the use of chemicals, and using nitrogen welding technology to reduce tin waste;
- Using improved techniques and pollution-free chemicals to replace heavy-polluting ones for waste reduction;
- Adoption of simple packaging on packaging design with less raw materials and reduced packaging waste for finished products;
- Promotion of office automation operations/working environments through the development of various office automation software to reduce the use of paper;
- Providing trainings to employees to increase their environmental awareness. For example, staff are encouraged to use less disposable goods and containers; and
- Undertaking management initiatives to encourage the reduction in water use so as to reduce the amount of household wastewater.

A2. Use of Resources GRI 3, 301, 302, 303

PC Partner Dongguan strives to "reduce consumption, optimise efficiency and protect the environment". PC Partner Dongguan proactively responds to the call for saving energy and reducing emission by the State and complies with laws and regulations such as Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Clean Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》). In response to these laws and regulations, PC Partner Dongguan has formulated the Energy Management Procedure (《能源管理程序》) to provide guidance to optimise the use of resources. PC Partner Dongguan actively encourages saving resources and energy and cultivates a green office concept among employees. Furthermore, PC Partner Dongguan reviews and assesses the efficiency, effectiveness and result of its energy management system over its production process from time to time to help striking a good balance between environmental protection and business growth.

Environmental, Social and Governance Report

Energy consumption

PC Partner Dongguan's direct energy consumption is mainly from the use of natural gas and petrol by canteens and company vehicles respectively, while indirect energy consumption during daily operations is mainly from purchased electricity. PC Partner Dongguan takes a series of energy-saving measures to achieve efficient use of resources, such as using solar panel for electricity in factory dormitory, investigating the use of electricity of each premise and activity to optimise the use of electricity through upgrades and better scheduling of production, lighting, air-conditioning and so forth.

During the Reporting Period, PC Partner Dongguan consumed 1,968.03 kWh of energy per million HK$ of cost of production output, representing a decrease of 13.49% as compared to 2021 mainly attributable to reduction in consumption of direct energy.

PC Partner Dongguan has set a target for 2023 to reduce energy consumption per million HK$ of cost of production output by 1% using 2022 as the baseline year. PC Partner Dongguan will continue to take various energy saving and optimisation measures as mentioned in Aspect A1 above such as reviewing the electricity using practice of employees in its premise and activity, advocating the employees to save energy, and replacing the aged manufacturing equipment with energy efficient equipment, in an effort to further reduce and optimise energy consumption in the next year.

Water consumption

Owing to the business and operation nature, water is rarely being used for production of products in the manufacturing operations. Meanwhile, it is mainly used by employees on their daily living activities in the premises which comes from local municipal water supply. Therefore, the water policy focuses on encouraging the employees to save water through setting water consumption target for each premise, and keep upgrading the facilities to reduce the water wastage and consumption. As the water consumption was relatively low, and the local municipal water supply was stable, no issue was noted in terms of sourcing water in 2022.

To achieve the water consumption target, PC Partner Dongguan formulated comprehensive yearly water efficiency initiatives, such as improving water consumption facilities and reusing the water for cooling down the air-conditioners in the premises. Such initiatives improve water efficiency principally through better water-saving management and water consumption facilities. During the Reporting Period, PC Partner Dongguan consumed 19.5387 cubic metres of water per million HK$ of cost of production output, representing a decrease of 13.13% as compared to 2021 due to enhancement of water efficiency.

PC Partner Dongguan has installed sewage treatment facilities in the premises for reusing water starting in 2022. Looking forward, PC Partner Dongguan has set a target for 2023 to reduce water consumption per million HK$ of cost of production output by 1% using 2022 as the baseline year. It will continue to dedicate resources to improve the water consumption efficiency as one of the sustainable growth targets.

Packaging material consumption

PC Partner Dongguan uses various kinds of packaging materials and components in its production process. Designers consider environmental-friendliness when designing the packaging in order to minimise the use of materials as long as the packaging serves its purpose, and putting the best efforts to choose recyclable or environmentally friendly materials to reduce the impact on the environment. Materials have been chosen carefully since all materials used to conform with all relevant laws and regulations and customers' requirements, such as the Restriction of Hazardous Substances ("RoHS") directive and the Registration, Evaluation, Authorisation and Restriction of Chemicals ("REACH") regulations, in order to reduce the impact to the environment.

During the Reporting Period, 0.2116 tonnes of packaging material per million HK$ of cost of production output were used for finished goods, representing a decrease of 12.24% as compared to 2021 due to improved design packaging.

A3. The Environment and Natural Resources GRI 3, 303, 306

As disclosed above, the environmental impacts brought by PC Partner Dongguan include the emissions of GHG associated with business air travels, usage of electricity and the consumption of paper during our office operations, thus PC Partner Dongguan's impacts on the environment and natural resources are limited. PC Partner Dongguan will continue to assess the environmental risks of its business, review its environmental practices, adopt more resource-saving and environmentally-friendly measures to minimise its impacts on the natural environment as well as to comply with the laws and regulations applicable to PC Partner Dongguan's emissions and use of resources. Policies such as the GHG Management Guideline (《溫室氣體管理指引》), the Exhaust Gas Control Procedure (《廢氣控制程序》), the Waste Effluent Control Procedure (《廢水廢液控制程序》), the Litter Control Procedure (《廢棄物管理程序》), the Litter Management Guideline (《廢棄物管理工作指引》) and the Energy Management Procedure (《能源管理程序》) were formulated to ensure PC Partner Dongguan's impacts on the natural environment and resources can be minimised.

PC Partner Dongguan has taken actions to minimise reliance on natural resources such as oil and natural gas, and place more reliance on environmental-friendly energy such as solar energy, by setting up root-top solar panels to generate heat for hot water consumption in the factory dormitory. PC Partner Dongguan keeps reducing paper consumption in daily business and operation by upgrading the office automation system to reduce paper consumption. PC Partner Dongguan has started to adopt more environmentally friendly packaging materials with less paper applied on finished products packaging of the brand products. Packaging has been redesigned for a more compact size in order to consume less paper and plastic. All these actions to reduce consumption of natural resources have been embedded in the daily business and operation.

A4. Climate Change GRI 2, 3, 201

Although the business operations of PC Partner Dongguan generate limited GHG, it is understood that the issue of climate change could only be sufficiently addressed with wide participation from each entity and individual. PC Partner Dongguan has formulated relevant policy to incorporate and manage climate-related risks in its risk management system. To cope with the intensified threat of climate change, the Group has assessed the potential risks that may arise from its business operations. These risks mainly stem from the following dimensions:

Physical risks

Climate change is gradually being concerned as it not only rising average temperatures but also extreme weather events, shifting wildlife populations and habitats, rising seas, and a range of other impacts. The climate crisis is undeniable and GHG, which trapped heat on earth and caused global warming, could be one of the major contributors to climate change. Thus, PC Partner Dongguan and its employees are committed to mitigating the effects of climate change by further reducing the GHG emission and power consumption in daily business and operation.

Extreme weather events, such as strong typhoons and floods, may interrupt the water and electricity supplies, damage the Group's properties, as well as threaten the safety of its employees. This may cause interruption to the normal business operations and thus lead to higher operating cost of the Group. As a mitigation, insurance plans are in place to safeguard PC Partner Dongguan's employees and assets.

Transition risks

In the PRC government's 14th Five-Year Plan, it has issued an action plan for the country to peak carbon emissions before 2030, in which it restated the country's climate goals for 2025 and 2030. The PRC government has also launched a new regulation namely Carbon Emission Rights Trading Management Guideline (《碳排放權交易管理辦法 (試行)》) in 2020, which became effective in February 2021. Although PC Partner Dongguan has not received any instruction from the government on these matters, there is possibility that the government would place instructions or restrictions on GHG emission in the near future. Moreover, it is expected that policies and regulations of the HKEx related to climate change will be stricter. If PC Partner Dongguan's existing compliance procedures and business operations could not fully comply with the new legal and regulatory requirements, it might incur additional compliance costs and adversely affect the reputation of the Group.

In response to the policy and legal risks as well as the reputation risks, PC Partner Dongguan regularly monitors existing and emerging trends, policies and regulations relevant to climate to avoid cost increments, non-compliance fines or reputational risks due to delayed response. It will explore more comprehensive solutions for energy saving and use of resources, to be in line with the national development of energy policies. When and where necessary, the top management will be alerted and compliance advisory services will be obtained. In order to enhance resilience to climate-related risks, PC Partner Dongguan will continue to assess the effectiveness of its actions to incorporate climate change into its development plans.

B. SOCIAL

In order to maintain competitiveness in the industry in the long run, the Group has been making every effort to protect employee interests and rights, and guarantee a working environment that allow employees to manifest their values, share their knowledge and innovate. At the same time, the Group aims to fulfil its corporate social responsibility by constantly giving back to our employees and showing compassion to society.

B1. Employment GRI 2, 3, 401, 405, 406

The Group recognises that its success depends on the contribution and performance of every employee, therefore, the Group pays attention to the diversified composition of employees and cares about the employees' career development. In accordance with the Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Group has formulated the human resources policy and employee handbook to regulate the recruitment process and standards, promotion system and termination procedures to ensure all employees are treated as equals and discriminated treatments based on gender, age, ethnicity or religion are opposed.

As at 31 December 2022, the total number of employees of the Group reached 2,714 (2021: 3,029) where 179, 2,437 and 98 employees were situated in Hong Kong, PRC and rest of the world respectively.

Recruitment, promotion and dismissal

The Group rationalises its recruitment requirements based on the development needs of its strategic businesses. Its recruitment procedures are standardised to specify selection criteria and job qualifications of each position, which specifically request the integrity, academic achievements, expertise and relevant experience for the respective positions and potential for further development. Interview assessment criteria have also been developed based on different levels so as to ensure all candidates are treated fairly.

The Group has also set up a sound appraisal system to appropriately remunerate and recognise the efforts devoted by performing staffs. Remuneration packages are reviewed annually and adjusted with reference to the trends of labour market in different countries and staff individual appraisal review. Based on standardised rating guidelines, the management of the Group conducts regular appraisal with employees individually with reciprocal discussion on expectation and results about the performance. The remuneration increment reflects each employee appraisal result respectively with reference to the market standard. Promotion reviews are conducted upon performance appraisal by management on a regular basis.

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To achieve and maintain standards of conduct and ensure consistent and fair treatment, the Group highlights education and takes punishment as a complementary measure to employees who are not discipline. Formal verbal warnings would be given for unsatisfactory performance or breach of company rules and improvement is expected to occur in a specified period of time. If a further offence occurs, a formal written warning would be issued, which specifies the reason of warning and improvement required. In cases of serious misconduct or recurring failure to meet the standards of performance, prior notices or payment in lieu of notice would be given to the employees involved concerning the termination of their employment contracts.

Working hours and rest periods, compensation, benefits and welfare

The Group encourages employees to maintain work-life balance and ensure employees adequate rest and maintain their well-being and health, therefore, the Group allocates its employees' responsibilities properly so that they can fulfil their duties within pre-defined working hours. The manufacturing plant in PRC also runs on a shift system approved by local labour department, so that the working hours of labour can be arranged flexibly based on the work needed. When overtime work is needed, employees are provided with compensatory rest or overtime pay in accordance with the local laws and regulations, including the Minimum Wage Ordinance and Employment Ordinance of Hong Kong, and the Provisions on Employee Annual Paid Vacations (《職工帶薪年休假條例》).

Apart from the statutory welfare and holidays, maternity/paternity leave and annual leave the Group offers to its employees in accordance with the Employee Handbook and the local laws and regulations, the Group's employees are also entitled to a comprehensive set of medical insurance benefits together with compassionate leave. Besides, the Group makes various compensation and social insurance contributions for its employees in accordance with the Employees' Compensation Ordinance and Mandatory Provident Fund Scheme Ordinance of Hong Kong, and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). Employees can also enjoy employee purchase discounts for the Company's products, and a comprehensive set of insurance benefit, including medical, employee compensation, business travel and personal accident insurance.

To strengthen the linkage between remuneration and performance and to ensure the employees' remuneration grows with the Group's performance, the Group offers discretionary annual allowances or year-end with an aim to recognise and reward eligible employees for their excellent performance and contributions for the year. The Group also grants share option so that outstanding employees may have chance to be awarded with shares of the Group to share the growth of the Group.

Equal opportunity, diversity and anti-discrimination

The Group advocates diversity among employees and complies with applicable ordinances in Hong Kong and PRC regarding equal employment opportunities including the Discrimination Ordinances of Hong Kong, the Hong Kong Bill of Rights Ordinance, and the Employment Promotion Law (《就業促進法》) to ensure discriminations against employees owing to their race, colour, religion, marital status, national origin, sex, physical disability or age are prohibited. The Group has policies in place to eliminate any discrimination in the workplace as well as governing the recruitment process to ensure equal employment, and also strive to aid employees who are disadvantaged in competition to enjoy alternative development opportunities. As stipulated in the Group's Employee Handbook, harassment or any form of conduct that may cause employees embarrassed or uncomfortable at work are strictly prohibited. During the Reporting Period, there was no incident reported from staff related to workplace discriminations.

B2. Health and Safety GRI 2, 3, 403

The Group cares about the well-being of our employees and considers occupational health and safety as the utmost priority for successful corporate operation. The Group fully abides by the Occupational Safety and Health Ordinance of Hong Kong, the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), the Provisions on Work-Related Injury Insurance of the People's Republic of China (《中華人民共和國工傷保險條例》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》) and the Provisions on Production Safety Accident Reporting and Investigation (《生產安全事故報告和調查處理條例》), and has fulfilled the requirements of the Responsible Business Alliance ("RBA") (《負責任商業聯盟》) standards in PRC on top of the local labour laws and regulations. In the manufacturing plant, annual internal audit would be conducted on occupational safety, hygiene, labour interests, ethics and other social responsibilities in accordance with the requirements of the ISO45001 and RBA standards.

The Group has put in place the occupational health and safety policy and procedures, which are certified by ISO45001 to provide guidance on handling accidents, work injuries, fire evacuations and emergencies. Employees are expected to exercise reasonable care and attention and avoid taking any undue risk that might lead to an accident or injury. Any work injury or accident cases would be investigated and improvement measures would be implemented in order to prevent future occurrences. The Group has also implemented assessment procedures in terms of occupational hygiene, safety, labour rights and ethical risks to assure that such risks are well identified and mitigated. Besides, safety leaflets are always available in the offices to provide employees information and advice on occupational safety. In order to align with the requirements of the ISO45001 and RBA standards, the Group strived to integrate the requirements of the ISO45001 and RBA standards into the current health and safety policies. The Group continues to evaluate the compliance level to ensure that business operations and activities meet the requirements of all relevant laws, regulations and standards, and to assure a consistent implementation of all health and safety policies with clear guidelines and procedures, division of responsibilities and broad staff training. The Group will update policies, practices, training materials and internal audit documents and tools in the related areas in an ongoing basis.

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The Group has been highly concerned about the health and safety of its employees since the outbreak of the COVID-19 pandemic. In order to protect the employees from a possible virus infection in the workplaces, the employees are encouraged to pay attention to their personal hygiene. Following the guidelines issued by the local governments, the COVID-19 pandemic Emergency Response Plan has been formulated specifying the responsibilities of the emergency team, precautions, materials and workflow in response to the pandemic. Special arrangements are offered to the employees who worked in different overseas offices based on the COVID-19 pandemic infection rates in different countries. The Group has cancelled most of the overseas business trips, trade shows and exhibitions, and encouraged employees to carry their business activities through phone calls or video conferences instead of physical meetings. The Group has actively sourced surgical masks for employees and provided alcohol-based hand sanitisers in working areas. Employees and visitors are required to check their body temperatures when they arrive at the offices or working areas. Any of the employees who has fever or other respiratory symptoms are required to seek for medical advice and be refrained from entering the workplaces. The Group also arranges flexible working hours and implements work from home measures to avoid travelling during peak hours. Separate meals with seats and tables maintaining social distance are also arranged in the factory canteen. The Group strives to take good care of the employees while maintaining business operations to the largest extent to uphold professional service.

In the past three years including the Reporting Period, the Group achieved zero work-related fatalities. No lost days due to work-related injuries were recorded during the Reporting Period (2021: 2 work-related injuries with 79 lost days).

B3. Development and Training GRI 3, 404

To cope with the Group's pace of growth, the Group has formulated Training Policy and continued to conduct various internal trainings for its employees which enables the employees to attain the necessary skills and knowledge, flexibly and quickly adapt to the ever-changing environment and achieve career development. A decentralised approach is adopted in managing the training and development programs to meet the needs of employees in different companies of the Group. For example, trainings on quality and occupational safety and health are provided to quality management officers and technicians. The Group also continued to roll out an internal education certification project targeting at frontline staff in 2022 to increase their comprehensive knowledge in factory management and expertise, thereby facilitating their career development. After years of efforts, an effective staff development and training programme has been established and is well-received by staff. Besides, new employees are also required to attend an introduction training session in order to gain a certain understanding of the company policies, procedures and operating systems.

The Group also offers financial support to employees to encourage the staff to participate external training programme, such as cultural and technical certification programmes that will support their career aspirations in their leisure time. The conditions are specified under the Policy on External Training and Subsidy (《培訓及進修資助政策(外)》). All these years, many employees have obtained their certifications through such support.

During the Reporting Period, the Group organised several training events (excluded the induction training for new employees) Approximately 72.85% of our employees in PC Partner Dongguan have been provided with training and an average of approximately 11.26 hours of training have been completed by each employee. The Group will continuously invest resources in providing various types of training to our employees in order to improve their professional competencies.

B4. Labour Standards GRI 2, 3, 407, 408, 409

The Group places great emphasis on fairness and strictly prohibits child and forced labour in the Group in accordance with the applicable laws and regulations such as Employment Ordinance of Hong Kong, the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Law of the People's Republic of China on the Protection of the Minors (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》). In compliance with these laws and regulations, the Group's Employee Handbook requires the Human Resources and Administration Department to verify the identification of job seekers during the recruitment process to ensure the authenticity of the documents and that they have reached the legal working age. To avoid forced labour, the Group also set out provisions in the Employee Handbook on working hours, overtime work arrangements, leaves entitlement and remuneration policies. Relevant guidelines are also expressly stipulated in the RBA Work Instruction (《RBA工作指引》) of PC Partner Dongguan in order to safeguard freedom of choice of occupation by standardising the recruitment process

Whistle-blowing channels are in place to allow employees to give comments and express feelings about their work or any abnormality in workplaces, such as child or forced labour. The Group will terminate the employment contract with child labour right away in case discovered, then a detailed review of the recruitment procedures will be conducted to avoid wrongful recruitment of child labour in future. The Group respects employees, ensures labour interests are protected, and prohibits any forced labour practice. The Group will investigate any discovered forced labour case and take corrective action to protect the best interests of employees in accordance with laws and regulations.

Respect for human rights

In addition to local legal compliance, the Group respects internationally recognised human rights relevant to its operations and requires its business partners and suppliers to do the same. The Group's commitment to upholding human rights is integrated in the RBA Work Instruction (《RBA工作指引》). Various channels are in place for employees to express comments or grievances relating to non-conformance with the prevailing management system, behaviour that may be detrimental to their personal interest or that of the Group. To address the grievances, standardised grievance mechanism and procedures are clearly outlined as remediation of the negative impacts. Under the policy, while valid complaints will be duly dealt with, the identity of the complainant is kept confidential in order to prevent revenge.

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Every employee is entitled to the freedom of assembly and right of collective bargaining without the Group' interference, irrespective of his or her ethnicity, sex, position, religious belief, education background, age and so on. They are allowed to organise and join labour unions and will not be punished or discriminated against for joining labour unions, such as being rejected for employment, being threatened with dismissal, being restricted in promotion or pay raise, being forced to work overtime excessively, or being re-designated to an inferior position. During the Reporting Period, the Group was not aware of any violation or jeopardy of employee's rights to exercise freedom of association or collective bargaining.

Moreover, the responsibilities of a company should not be constrained within its own operations. Due diligence on human rights is conducted in management of supply chain risks. Further details are set out in the paragraph headed "Supply chain risk management" in Aspect B5.

B5. Supply Chain Management GRI 2, 3, 308, 414

The Group strictly controls the fairness of the process of selecting suppliers and promotes standardisation of procurement to ensure a transparent and fair procurement process. Thus, a rigorous set of supplier selection criteria and procurement procedures has been established to select vendors that uphold the highest quality in order to minimise impacts on the environment and society. The Group also follows the industrial requirements closely to ensure all of the materials and components are fully complied with RoHS directive and REACH regulations.

During the Reporting Period, the Group worked with 591 suppliers in total, including distributors and contractors, around the world, all of which were engaged where the supplier engagement practices are implemented.

Selection and assessment

The Group performs strict selection and assessment procedures in accordance with its procurement policies such as Supplier Management Procedures (《供應商管理程序》) before engaging in business with our suppliers and service providers, such as requiring suppliers to provide certification, documents and samples for laboratory testing to prove of the compliance with RoHS directive and REACH regulations. In addition to those aforementioned as well as financial and quality aspects, suppliers' and service providers' attitude towards the environment and society will also be a part of the assessment criteria. Qualified suppliers would be listed in the Approved Vendor List monitored by the Vendor Qualification Committee. For purchasing direct and indirect materials, a Control Procedure for Procurement Documents (《採購單據控制程序》) has been particularly formulated in order to provide guidance on the control and approval of procurement documents.

Supply chain risk management

Due diligence assessment procedures are conducted on site or in written form for the environmental and social matters include but not limit to environment protection, occupational health and safety, labour interests, human rights and ethics. During the Reporting Period, on-site inspections have been carried out on 48 suppliers with environmental and social impact assessments. The Group does not consider suppliers or service providers who have been in bribery cases or have incurred material safety or environmental incidents. The Group also conducts periodic reviews on the performance of our suppliers and service providers with the objective of better control and assurance on our products quality. Sampling inspections are performed to ensure the quality of materials. Follow-up actions will be taken accordingly when necessary.

Promoting environmentally preferable products

To ensure the Group's products and services meet environmentally-friendly requirements, IECQ QC080000 Hazardous Substance Process Management System has been established and implemented through the production processes. The Group also engages a third-party agency to conduct annual internal audit to assess the ongoing effectiveness of such management system. In addition, the Group has been committed to pursuing the ISO14001 environmental management system as well as the OHSAS18001 occupational health and safety management system. Suppliers have been notified of the requirements in terms of environmental protection, safety and health issues that they are expected to be aligned with. The Group will continue to strengthen its communication and cooperation with the suppliers and service providers in order to maintain a long-term strategic relationship and promote sustainable development of the industry chain. To ensure the suppliers fulfil the Group's environmental and social responsibility requirements and are in line with the Group's sustainable development, the Group also offers relevant guidance to let suppliers understand the requirements and requires suppliers to give written undertakings to comply with the Group's social responsibility policies.

B6. Product Responsibility GRI 2, 3, 416, 417, 418

Comprehensive product safety and quality management mechanism is in place, covering quality management and control, customer services, data confidentiality and customer privacy, and research and innovation, with an aim to ensure continuous improvement in the Group's product quality and service standard and establishing a reliable image to earn the long-term trust of customers on the Group's brands.

Quality control

The Group understands that the high level of standard of product quality and services must be adhered to maintain long-term customer relationship and earn customers' trust. For this reason, the Group strictly controls the quality of products, and keeps an eye on the impact of products to consumers. To safeguard consumers against any possible safety hazard during the use of products, the Group makes sure that these products are safe for use through various safety and reliability tests.

Environmental, Social and Governance Report

The Group has established a certified quality management system in accordance with the requirements of ISO9001 to regulate the quality management process of production, research and development, strictly control the quality and safety of our products and ensure that customers can use our products with concern. Under the quality management system, the Group carries out quality tests on the products and raw materials in accordance with industry standards, and monitors key parameters of the process to ensure its stability and thus safeguard its quality. Engineering and purchasing teams co-operate with suppliers to obtain comprehensive information of each material and component. Such information allows the team to ensure whether the materials contain the relevant prohibited substances that affect the environment and the health of consumers. The Group requests the suppliers to provide laboratory report of materials issued by third-party laboratories and gives warranty to confirm the materials does not contain restricted substances.

Product recall and return

As guided by the Group's Product Recall Procedures (《客戶退貨處理程序》), in case any product on sale in the market is found to be substandard and has potential safety hazard, the management will take immediate action to initiate recall. The Group has also adopted a product return policy and promises consumers to exchange defective products after sale and provide after sale repair service. In 2022, none of the products has been returned by customers or subject to recalls for safety and health reasons. 2,300 pieces of products were subject to recall due to general defect and have been returned to customers after repairments.

Customer service

The Group strictly follows its Customer Complaint Handling Policy (《顧客投訴處理程序》) to handle after sale product servicing requests on a daily basis, and has setup in-house regional or countrywide service centres and 24-hour outsourced service centres to respond to the technical questions and product return requests in case there are quality issues of the products sold under own brands. For Original Design Manufacturer/Original Equipment Manufacturer ("ODM/OEM") products, the Group has teams in the manufacturing plant and in-house sales coordinators to take care of customer requests directly. The above measures ensure the complaints will be investigated and handled with due care. Employees and outsourced staff are well trained to handle client complaints in a prompt and courteous manner. During the Reporting Period, the Group received 5 complaints related to products or services which have all been duly handled in writing with the "Eight-Discipline Corrective/Preventive Action Report". During the Reporting Period the Group did not identify any incident of non-compliance with laws and regulations concerning the provision and use of products/services in relation to the Group.

Data protection and privacy

The Group's Regulation on Confidentiality and Protection of Intellectual Property Rights (《保密及保護知識產權規定》) requires all the employees to protect clients' information in a professional and ethical manner in order to preserve the integrity of our relationships with clients and comply with relevant laws and regulation such as Personal Data (Privacy) Ordinance of Hong Kong, the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). Confidential information that are subject to disclosure requirements according to the applicable laws and regulations shall be exchanged internally and exclusively on a "need-to-know" basis. Relevant rules and regulations are also specified in the Business Principles (《商業原則》) requiring employees to observe confidentiality and prevent abuse of data.

Employees are required to participate in trainings in relation to the privacy policy and enter into a privacy agreement upon joining the Group to safeguard the Group's confidential information. The Group classifies confidential information and manages such information according to the respective classification. The Group arranges internal audit of the implementation of these duties each year to ensure the effective execution of the relevant privacy requirements.

During the Reporting Period, there were no complaints received concerning breaches of customer privacy and loss of data.

Intellectual property rights

The Group respects all intellectual property rights and actively encourages research and innovation. Any plagiarism, violation of intellectual property rights, piracy of any third-parties' know-how and designs in the design and development is strictly prohibited as stated in our intellectual property policy.

The Group is also committed to protecting its own intellectual properties. Any inventions used or created by employees while carrying out their duties or using the Group's resources to invent, innovate, design, compose or create shall be deemed as intellectual properties of the Group. All staff of the Group shall report their inventions, innovations, designs, compositions or other creations to the Group for a decision on whether to apply for patents or copyrights. The staff are obligated to surrender all files, drafts, designs and other information on their creations to the Group and assist the Group to apply for patents or copyrights for their creations. The Group implements a project management system for the sake to enhance the security of engineering designs on both the ODM/OEM projects and the projects for brand business sector. Data and information would only be able to access with proper authorisation engineering personnel who have assigned to work on the particular projects.

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B7. Anti-corruption GRI 2, 3, 205, 415

Business ethics

The Group attaches great importance to conducting business with the highest level of business ethics and integrity. In order to enhance employees' integrity awareness continuously and comply with applicable laws and regulations including Prevention of Bribery Ordinance of Hong Kong, Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and Anti-Money-laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), the Group has established business ethics policy to provide sufficient internal guidelines on preventing potential corruption, bribery and other illegal actions during business transactions amongst stakeholders, such as its employees, customers and suppliers. The Group always upholds the principles of honesty, integrity, uprightness and fairness, and requests all employees to act impartially and fairly and not to abuse their positions for their own or someone else's interests or benefits gain while dealing with customers, suppliers and other third parties. The Group also prohibits its employees or agents from soliciting or receiving any benefits from any party having business transactions with the Group (e.g. customers, suppliers, contractors and so on). During the Reporting Period, there was no financial and in-kind political contributions made directly and indirectly by the Group. During the Reporting Period, there was neither complaint received related to misconduct, malpractices or irregularities nor concluded legal case regarding corrupt practices that has been brought against the Group or its employees.

Whistle-blowing

To enable early identification and handling of corrupt practices with supervision by all employees and related parties, the Group has set up designated whistle-blowing channels to receive complaints from stakeholders. Employees are encouraged to disclose information relevant to misconduct, malpractices or irregularities through the whistle-blowing channels. It is stipulated in the Business Principles (《商業原則》) that the personal information and content of the whistle-blower will be kept confidential in order to prevent revenge, while the relevant complaints will be investigated and evaluated in a fair and proper manner. Solutions will be determined for each case, which may include punishment and legal action against any corruption in breach of the relevant laws and company policies.

Anti-corruption training

The Group requires all employees in Hong Kong and overseas to sign an annual declaration to confirm the compliance of the business ethics policy. Relevant employees are required to enter into an anti-corruption warranty in order to acknowledge the possible consequences of corruption. In 2022, policies and procedures have been disseminated to 5 Directors and 1,293 employees to get them familiarised with guidance on anti-corruption. The Group also provides training to the employees at least once every year with necessary and updated knowledge to deal with anti-corruption. During the Reporting Period, 809 employees in PC Partner Dongguan attended training workshops for approximately 1,618 hours with discussion on business ethics, common ways of fraud as well as methods of management and prevention of corruption. In addition, the Group also invites Independent Commission Against Corruption to conduct seminars in Hong Kong office every year to strengthen employees' awareness of corruption. During the Reporting Period, 40 employees in Hong Kong office attended such seminars for a total of approximately 160 hours. The Group will continue to promote ethical value and culture in workplace.

B8. Community Investment GRI 3, 201, 203

In active fulfilment of corporate social responsibility, the Group takes into consideration the impact of its business activities might have on the neighbourhood. Under the Business Principles (《商業原則》), the Group places great emphasis on cultivating social responsibility awareness among the staff and encourages them to better serve the community at work and during their personal time.

PC Partner Dongguan operates a balanced community participation programme, under which it conducts collaborative projects with different stakeholders (such as employees, members of local communities, non-profit partners, citizens, schools and governments) in PRC. Such projects include co-operating with schools to nurture local talents, supporting stricken community members by donations, serving underprivileged groups by volunteering events and protecting the environment. In 2022, in view of the COVID-19 pandemic outbreak, the Group's focus area of contribution was the health of society. PC Partner Dongguan's employees served the community as volunteers to assist in the COVID-19 testing for approximately 115.5 hours. In addition, HK$8,000 was donated by the Group for supporting the health of society.

The Group will continuously support community and environmental programmes that align with the Group's missions and values in the coming year.

Environmental, Social and Governance Report

PERFORMANCE DATA SUMMARY

Environmental[1]

KPIs		Unit	2022	2021
A1.1: Emissions of air pollutants GRI 305	Nitrogen oxides ("NOx")	Kilogram ("kg")	**127.87**	503.81
	Sulphur oxides ("SOx")	Kilogram ("kg")	**1.62**	435.14
	Particulate matter ("PM")	Kilogram ("kg")	**4.49**	125.71
A1.2: GHG emissions GRI 305	**Scope 1 — Direct GHG emissions**			
	Total direct GHG emissions	**Carbon dioxide equivalent emission (in tonnes)**	**155.79**	516.16
	Intensity[2] of direct GHG emissions	**Carbon dioxide equivalent emission (in tonnes)/million HK$ of cost of production output**	**0.0187**	0.0577
	Scope 2 — Energy indirect GHG emissions			
	Purchased electricity	Carbon dioxide equivalent emission (in tonnes)	**8,946.05**	14,190.34
	Total energy indirect GHG emissions	**Carbon dioxide equivalent emission (in tonnes)**	**8,946.05**	14,190.34
	Intensity[2] of energy indirect GHG emissions	**Carbon dioxide equivalent emission (in tonnes)/million HK$ of cost of production output**	**1.0738**	1.5873

Notes:

1. Calculation of emission factors for environmental KPIs is based on the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by HKEx, the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023–2025" issued by the Ministry of Ecology and Environment of the PRC, the global warming potential values from the "Fifth Assessment Report" issued by Intergovernmental Panel on Climate Change, unless otherwise specified in this Report.

2. The factor used for calculating the intensity for relevant environmental KPI is "per million HK$ cost of production output". During 2022, the cost of production output amounted to HK$8,331.53 million (2021: HK$8,939.84 million). The data are also used for calculating other intensity data.

KPIs		Unit	2022	2021
A1.2: GHG emissions GRI 305 (continued)	**Scope 3 — Other indirect GHG emissions**			
	Paper waste disposed at landfills[3]	Carbon dioxide equivalent emission (in tonnes)	**177.07**	457.97
	Business air travel by employees	Carbon dioxide equivalent emission (in tonnes)	**Nil**	0.98
	Total other indirect GHG emissions	**Carbon dioxide equivalent emission (in tonnes)**	**177.07**	458.95
	Intensity[2] of other indirect GHG emissions	**Carbon dioxide equivalent emission (in tonnes)/million HK$ of cost of production output**	**0.0213**	0.0513
	Total GHG emissions			
	Total GHG emissions	**Carbon dioxide equivalent emission (in tonnes)**	**9,278.91**	15,165.45
	Intensity[2] of GHG emissions	**Carbon dioxide equivalent emission (in tonnes)/million HK$ of cost of production output**	**1.1137**	1.6964
A1.3: Hazardous waste GRI 306	**Total hazardous waste produced**	**Tonnes**	**6.67**	7.28
	Intensity[2] of hazardous waste produced	**Tonnes/million HK$ of cost of production output**	**0.0008**	0.0008
A1.4: Non-hazardous waste[4] GRI 306	Papers	Tonnes	**36.89**	95.41
	General waste	Tonnes	**12.37**	34.22
	Total non-hazardous waste produced	**Tonnes**	**49.26**	129.63
	Intensity[2] of non-hazardous waste produced	**Tonnes/million HK$ of cost of production output**	**0.0059**	0.0145

Notes:

3. Formula used for calculation of paper waste disposed at landfills: paper waste in kg x 4.8 kg CO_2 equivalent/kg.

4. Data of 2021 has been re-categorised and re-presented. The amount of paper in 2022 included office paper and paper materials. The amount of paper in 2021 included office paper, general waste and packaging materials. Therefore, the data of 2022 and 2021 are not directly comparable.

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KPIs		Unit	2022	2021
A2.1: Energy consumption[5] GRI 302	**Direct energy consumption[6]**			
	Diesel	kWh	**186,362.21**	1,784,292.22
	Natural Gas	kWh	**463,558.87**	458,099.33
	Petrol	kWh	**60,203.39**	94,894.55
	Total direct energy consumption	kWh	**710,124.47**	2,337,286.10
	Indirect energy consumption			
	Purchased electricity	kWh	**15,686,573**	18,001,200
	Total indirect energy consumption	kWh	**15,686,573**	18,001,200
	Total energy consumption	**kWh**	**16,396,697.47**	20,338,486.10
	Intensity[2] of total energy consumption	**kWh/million HK$ of cost of production output**	**1,968.03**	2,275.04
A2.2: Water consumption GRI 303	**Total water consumption**	**Cubic metre**	**162,787**	201,076
	Intensity[2] of water consumption	**Cubic metre/million HK$ of cost of production output**	**19.5387**	22.4921
A2.5: Packaging material GRI 301	**Total packaging material used for finished goods**	**Tonnes**	**1,762.94**	2,155.63
	Intensity[2] of packaging material used for finished goods	**Tonnes/million HK$ of cost of production output**	**0.2116**	0.2411

Notes:

5. Data of 2021 has been re-categorised and re-presented. The consumption amounts in 2021 represents total direct energy of 2,219.03 tonnes of standard coal equivalent including 141.70 tonnes of diesel and 16,375,600 kWh of purchased electricity, as well as total indirect energy of 268.41 tonnes of standard coal equivalent including 1,625,600 kWh of purchased electricity, 43,800 cubic meter of natural gas and 7.05 tonnes of petrol.

6. The unit conversion method of energy consumption data is formulated based on the "Energy Statistics Manual" issued by the International Energy Agency.

Social

KPIs		Unit	2022	2021
B1.1: Total workforce GRI 2, 405	Total workforce	Number of employees	**2,714**	3,029
	By employment type			
	Full time	Number of employees	**2,714**	3,024
	Part time	Number of employees	**Nil**	5
	By geographical region			
	Hong Kong	Number of employees	**179**	187
	PRC	Number of employees	**2,437**	2,735
	Rest of the world	Number of employees	**98**	107
	By gender			
	Male	Number of employees	**1,540**	1,756
	Female	Number of employees	**1,174**	1,273
	By age			
	Below 30	Number of employees	**899**	1,211
	31–50	Number of employees	**1,554**	1,544
	Over 50	Number of employees	**261**	274

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KPIs		Unit	2022	2021
B1.2: Employee turnover rate GRI 401	Employee turnover rate[7]	%	**38.39**	41.99
	By geographical region			
	Hong Kong	%	**18.99**	12.30
	PRC	%	**39.80**	45.23
	Rest of the world	%	**38.78**	11.21
	By gender			
	Male	%	**41.69**	45.56
	Female	%	**34.07**	37.08
	By age			
	Below 30	%	**59.96**	52.52
	31–50	%	**28.64**	37.89
	Over 50	%	**22.22**	18.61
B2.1: Number and rate of work-related fatalities GRI 403	Number of work-related fatalities occurred in 2020–2022	Number of employees	**Nil**	Nil
	Rate of work-related fatalities occurred in 2020–2022	%	**Nil**	Nil
B2.2: Lost days due to work injury	Lost days due to work injury	Days	**Nil**	79

Notes:

7. Calculation of turnover rate:

$$\frac{\text{Number of employees who left during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

KPIs		Unit	2022	2021
B3.1: Percentage of employees trained[8]	Percentage of employees trained	%	**72.85**	98.19
	By gender			
	Male	%	**70.30**	98.89
	Female	%	**76.10**	96.88
	By employee category			
	Management	%	**90.04**	96.54
	General staff	%	**70.37**	98.95
B3.2: Average training hours completed[9] GRI 404	Average training hours completed per employee	Hours	**11.26**	21.48
	By gender			
	Male	Hours	**11.57**	20.06
	Female	Hours	**10.87**	19.06
	By employee category			
	Management	Hours	**16.32**	22.55
	General staff	Hours	**10.53**	20.90
B5.1: Number of suppliers GRI 2	Number of suppliers	Number of suppliers	**591**	606
	By geographical region			
	Asia Pacific	Number of suppliers	**395**	443
	PRC	Number of suppliers	**135**	102
	North and Latin America	Number of suppliers	**47**	43
	Europe, Middle East, Africa and India	Number of suppliers	**14**	18

Notes:

8. Calculation of percentage of employees trained in PC Partner Dongguan:

$$\frac{\text{Number of employees trained category during the reporting period}}{\text{Number of employees at the end of the reporting period}} \times 100\%$$

9. Formula used for calculation of average training hours has been changed in 2022. Therefore, the data of 2022 and 2021 are not directly comparable starting from 2022, the calculation of average training hours for employees in PC Partner Dongguan:

$$\frac{\text{Training hours of employees during the reporting period}}{\text{Number of employees at the end of the reporting period}}$$

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KPIs		Unit	2022	2021
B6.1: Percentage of total products sold or shipped subject to recalls for safety and health reasons	Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	**Nil**	Nil
B6.2: Number of products and service related complaints received GRI 2, 3, 418	Number of products and service related complaints received	Number of complaints	**5**	Nil
B7.1: Number of concluded legal cases regarding corrupt practices GRI 205	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	Number of cases	**Nil**	Nil
B8.2: Resources contributed to the focus areas of contribution GRI 201	Resources contributed to focus areas of contribution	Hong Kong Dollars	**8,000**	8,000
		Hours	**115.5**	N/A

HKEx ESG REPORTING GUIDE & GRI CONTENT INDEX

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Participation of Board of Directors
Reporting Principles	Reporting principles
Reporting Boundary	Report scope and boundaries

Statement of use	PC Partner Group Limited has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1. Emissions	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 305: Emissions 2016 GRI 306: Waste 2020
	A1.1	The types of emissions and respective emissions data.	Performance Data Summary	GRI 305: Emissions 2016
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity.	Performance Data Summary	GRI 305: Emissions 2016
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Performance Data Summary	GRI 306: Waste 2020
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Performance Data Summary	GRI 306: Waste 2020

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Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A1: Emissions (continued)	A1.5	Description of emission target(s) set and steps taken to achieve them.	A1. Emissions	GRI 3: Material Topics 2021 GRI 305: Emissions 2016
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	A1. Emissions	GRI 3: Material Topics 2021 GRI 306: Waste 2020
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A2. Use of Resources	GRI 3: Material Topics 2021
	A2.1	Direct and/or indirect energy consumption by type in total (kWh in'000s) and intensity.	Performance Data Summary	GRI 302: Energy 2016
	A2.2	Water consumption in total and intensity.	Performance Data Summary	GRI 303: Water and Effluents 2018
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources	GRI 3: Material Topics 2021 GRI 302: Energy 2016
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	A2. Use of Resources	GRI 3: Material Topics 2021 GRI 303: Water and Effluents 2018
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	A2. Use of Resources, Performance Data Summary	GRI 301: Materials 2016

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the Group's significant impacts on the environment and natural resources.	A3. The Environment and Natural Resources	GRI 3: Material Topics 2021
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3. The Environment and Natural Resources	GRI 3: Material Topics 2021 GRI 303: Water and Effluents 2018 GRI 306: Waste 2020
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the Group.	A4. Climate Change	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the Group, and the actions taken to manage them.	A4. Climate Change	GRI 201: Economic Performance 2016
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1: Employment	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 406: Non-discrimination 2016

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Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B1: Employment (continued)	B1.1	Total workforce by gender, employment type, age group and geographical region.	Performance Data Summary	GRI 2: General Disclosures 2021 GRI 405: Diversity and Equal Opportunity 2016
	B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary	GRI 401: Employment 2016
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.	B2: Health and Safety	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 403: Occupational Health and Safety 2018
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance Data Summary	GRI 403: Occupational Health and Safety 2018
	B2.2	Lost days due to work injury.	Performance Data Summary	Not directly covered by the GRI Standards
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	B2: Health and Safety	GRI 3: Material Topics 2021 GRI 403: Occupational Health and Safety 2018

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3: Development and Training	GRI 3: Material Topics 2021 GRI 404: Training and Education 2016
	B3.1	The percentage of employees trained by gender and employee category.	Performance Data Summary	Not directly covered by the GRI Standards
	B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary	GRI 404: Training and Education 2016
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.	B4. Labour Standards	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 407: Freedom of Association and Collective Bargaining 2016
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	B4. Labour Standards	GRI 3: Material Topics 2021 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016
	B4.2	Description of steps taken to eliminate such practices when discovered.	B4. Labour Standards	GRI 3: Material Topics 2021 GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016

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Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	B5. Supply Chain Management	GRI 3: Material Topics 2021
	B5.1	Number of suppliers by geographical region.	Performance Data Summary	GRI 2: General Disclosures 2021
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	B5. Supply Chain Management	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	B5. Supply Chain Management	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	B5. Supply Chain Management	GRI 3: Material Topics 2021

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6. Product Responsibility	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 416: Customer Health and Safety 2016 GRI 417: Marketing and Labeling 2016 GRI 418: Customer Privacy 2016
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	B6. Product Responsibility, Performance Data Summary	Not covered by the GRI Standards
	B6.2	Number of products and service related complaints received and how they are dealt with.	B6. Product Responsibility, Performance Data Summary	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 418: Customer Privacy 2016
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	B6. Product Responsibility	Not covered by the GRI Standards
	B6.4	Description of quality assurance process and recall procedures.	B6. Product Responsibility	Not covered by the GRI Standards
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	B6. Product Responsibility	GRI 3: Material Topics 2021

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Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.	B7. Anti-corruption	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti-corruption 2016 GRI 415: Public Policy 2016
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period and the outcomes of the cases.	Performance Data Summary	GRI 205: Anti-corruption 2016
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	B7. Anti-corruption	GRI 2: General Disclosures 2021 GRI 3: Material Topics 2021 GRI 205: Anti-corruption 2016
	B7.3	Description of anti-corruption training provided to directors and staff.	B7. Anti-corruption	GRI 205: Anti-corruption 2016

Aspects	General disclosures and KPIs	Description	Corresponding section	Corresponding GRI Standards
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests.	B8. Community Investment	GRI 3: Material Topics 2021
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	B8. Community Investment	GRI 203: Indirect Economic Impacts 2016
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Performance Data Summary	GRI 201: Economic Performance 2016

CORPORATE GOVERNANCE REPORT

The Board of Directors ("the Board") is collectively responsible for management, operations and decisions of the Company. The Board well understand the importance of incorporating a good corporate governance in the management and internal control of the Group. This Report highlights the best practices that the Company has adopted and explained how the Company has applied the principles of the Code Provisions set out in the Corporate Governance Code ("the Code") as contained in Part 2 of the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). During the year ended 31 December 2022, the Company has complied with the Code except for the deviation from code provisions C.2.1 and D.2.5 of the Code as described in the relevant sections in this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separately held. During the year ended 31 December 2022, the roles of chairman and chief executive officer were performed by Mr. WONG Shik Ho Tony. Being one of the founders of the Group, Mr. WONG has been heavily involved in its daily business operation since its incorporation. He is responsible for strategic planning and corporate development with the support of the other Executive Directors. Starting from 1 January 2023, there are 10 Directors on the Board. Half of them are Non-executive (including 4 Independent Non-executive) Directors possessing different professional or management expertise, and it provides sufficient independent elements in the Board composition. Given that all major decisions would be decided after thorough discussions by the Board and Independent Non-executive Directors have along played an active role in discussion, the Board considers that the current structure is conductive to a strong and balanced corporate management, which is in the best interests of Shareholders of the Company.

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 regulating Directors' dealings in the Company's securities. A Director who wishes to deal in the Company's securities must notify the Chairman (or a Director designated by the Board for such specific purpose) in writing and obtained his acknowledgement prior to any dealing. All Directors, in response to specific enquiries made by the Company, confirmed that they have complied with the required standard as set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, nomination and appointment of Directors, and has a duty to oversee and ensure adequacy and effectiveness of the Group's internal control and risk management system. The senior management was delegated with authority and responsibilities by the Board for the day-to-day management and operations of the Group. 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/she carries out his/her 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.

The Board consists of a total of 10 Directors, comprising 5 Executive Directors, 1 Non-executive Director and 4 Independent Non-executive Directors. Details of the Board composition are set out below. The Directors have no other financial, business, family or other material/relevant relationships with one another.

Executive Director	Non-executive Director	Independent Non-executive Director
• Mr. WONG Shik Ho (Chairman and Chief Executive Officer)	• Mrs. HO WONG Mary Mee-Tak	• Mr. IP Shing Hing
• Mr. WONG Fong Pak	• Mr. CHIU Wing Yui (Alternate Director to Mrs. HO WONG Mary Mee-Tak)	• Mr. LAI Kin Jerome
• Mr. LEUNG Wah Kan		• Mr. CHEUNG Ying Sheung
• Mr. HO Nai Nap		• Ms. CHAN Yim
• Mr. MAN Wai Hung		

The Board has adopted a board diversity policy for years. Nomination Committee of the Board undergoes regular review of the Board composition to ensure that there is a balanced composition of expertise, skills and experience to meet long term development of the Company.

The Board meets regularly and at least 4 times a year. On a regular basis, Directors are provided with monthly financial updates and other information in relation to the Group's business activities. All Directors have access to information of the Group and independent professional advice at all times whenever in need.

During the year, the Independent Non-executive Directors attended all Board meetings and Board committee meetings. They made positive contribution to the Board's affairs by regular attendance and active participation.

On 1 January 2023, Ms. CHAN Yim, a practicing Certified Public Accountant, was appointed by the Board as an additional Independent Non-executive Director. Starting from January 2023, there are 4 Independent Non-executive Directors. The Company considers that there is sufficient independence in the Board. All Independent Non-executive Directors are well experienced professionals with strong finance, legal or information technology background. They come from varied industries and have actively participated in the Board's affairs.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the Independent Non-executive Directors are independent in accordance with the independence guidelines as set out in the Listing Rules.

Corporate Governance Report

During the year, 12 Board meetings were held with 100% attendance. All Directors attended the annual general meeting of the Company on 17 June 2022 ("2022 AGM"), either physically or via electronic means. Details of the Directors' attendance at the 2022 AGM, the Board and the Board Committee meetings in the year are set out below:

Directors	Attendance (attended/held)				
	Board meetings	2022 AGM	Board Committee Meetings		
			Audit	Remuneration	Nomination
Executive Directors					
Mr. WONG Shik Ho Tony	12/12	1/1		3/3	1/1
Mr. WONG Fong Pak	12/12	1/1			
Mr. LEUNG Wah Kan	12/12	1/1			
Mr. HO Nai Nap	12/12	1/1			
Mr. MAN Wai Hung	12/12	1/1			
Non-executive Director					
Mrs. HO WONG Mary Mee-Tak	11/12	1/1			
Mrs. CHIU Wing Yui (Alternate Director to Mrs. HO WONG Mary Mee-Tak)	1/12				
Independent Non-executive Directors					
Mr. IP Shing Hing	12/12	1/1	3/3	3/3	1/1
Mr. LAI Kin Jerome	12/12	1/1	3/3	3/3	1/1
Mr. CHEUNG Ying Sheung	12/12	1/1	3/3	3/3	1/1

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

On 1 January 2023, the Board appointed Ms. CHAN Yim as an additional Independent Non-executive Director for compliance with code provision B.2.4(b) of the Code, Her letter of appointment with the Company is for a term of 3 years commencing from 1 January 2023 unless otherwise terminated by either party by a minimum of three months' written notice. Pursuant to Article 112 of the Articles of Association, Ms. CHAN will hold office until the forthcoming annual general meeting and, being eligible, will offer herself for re-election at the general meeting.

Each of the Executive Directors, Non-executive Director and the remaining 3 Independent Non-executive Directors has entered into a letter of appointment for a term of 3 years with the Company commencing from 12 January 2012 unless otherwise terminated by one party by giving no less than three months' notice in writing to the other party.

All Directors are subject to rotation in accordance with Article 108 of the Company's Articles of Association. At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and shall then be eligible for re-election. Each Director shall retire from office at least once every three years.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

To ensure that the Directors' contribution to the Board remains informed and relevant, the Company would, on an on-going basis, arrange and fund suitable training for the Directors to develop and refresh their knowledge and skills.

The training each Director received during the year is summarised as below:

	Attending seminars/ in house workshop relevant to the Company's business, Listing Rules compliance, regulatory and statutory updates	Reading newspaper, journals and other relevant materials regarding regulatory update and corporate governance matters
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 Director		
Mrs. HO WONG Mary Mee-Tak	√	√
Mr. CHIU Wing Yui (Alternate Director to Mrs. HO WONG Mary Mee-Tak)	√	√
Independent Non-executive Directors		
Mr. IP Shing Hing	√	√
Mr. LAI Kin Jerome	√	√
Mr. CHEUNG Ying Sheung	√	√

Corporate Governance Report

BOARD COMMITTEES

The Board has established four board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee with terms of reference. Their structure and terms of reference are reviewed regularly by the Board.

These Committees hold regular meetings and provided with resources and timely information to ensure a proper discharge of responsibilities by their members. The Committees have access to independent professional advice as they consider necessary in the furtherance of their duties at the Company's expenses.

Audit Committee

The Company established the Audit Committee on 21 December 2011 with written terms of reference.

The Audit Committee serves as a focal point for communication between the Board, external and internal auditors (or professional firm which provides internal audit services) of the Company in respect of the Company's financial reporting, internal controls, external and internal audits.

The Audit Committee consists of 4 Independent Non-executive Directors, including Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim.

Members of the Audit Committee are all professionals with strong finance, legal or information technology background. They have a good understanding of financial statements and have knowledge and experience in corporate governance, internal controls and risk management.

During the year, the Company held 3 Audit Committee meetings with 100% attendance and the Audit Committee has discharged the following duties:

- It reviewed and monitored external auditors' independence and objectivity and the effectiveness of the audit process. It held regular meetings with external auditors in respect of financial reports and audit issues.
- It approved remuneration and terms of engagement of the external auditors and the professional firm which provided internal audit services to the Company. It made recommendation to the Board on their appointment and retention.
- It monitored integrity of the Company's financial statements, reports and other financial matters of the Group.
- It assisted the Board in maintaining an effective risk management and internal control system.
- It reviewed the adequacy of resources in the Group's accounting, financial reporting, internal control and risk management functions.

Attendance record of the Audit Committee is set out on page 66 of this Annual Report.

Remuneration Committee

The Company established the Remuneration Committee on 21 December 2011 with written terms of reference.

The Remuneration Committee is responsible for setting policies on structure and remuneration of the Company's Directors and senior management. It conducts regular reviews and makes recommendations to the Board to ensure a formal and transparent remuneration policy is in place.

Under the Group's remuneration policy ("Remuneration Policy") which was adopted by the Company on 13 January 2012, remunerations of Directors and employees of the Group are determined on their merit, qualifications and competence together, with reference to the profitability of the Group, and prevailing market pay conditions. Emoluments (such as Director fees, salaries, bonuses, pension, share options, housing and other allowances) of the Directors and senior management of the Group are decided by the Remuneration Committee in accordance with the Remuneration Policy and the Remuneration Committee shall have meeting at least once annually.

The Remuneration Committee is chaired by an Independent Non-executive Director. There are 5 members and has a majority of Independent Non-executive Directors. It consists of 4 Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim, and an Executive Director Mr. WONG Shik Ho Tony.

During the year, the Remuneration Committee held 3 meetings with 100% attendance and has discharged the following duties:

- It reviewed the Remuneration Policy and approved the management's remuneration proposal;
- It reviewed and approved remuneration package of the Company's Executive Directors proposed by management;
- It made recommendations to the Board on the remuneration of Non-executive (including Independent Non-executive) Directors.

Attendance record of the Remuneration Committee is set out on page 66 of this Annual Report.

Nomination Committee

The Company established the Nomination Committee on 21 December 2011 with written terms of reference.

The Nomination Committee is responsible for formulating nomination policy to ensure the Company has a formal and transparent procedure for the appointment of Directors and senior management. It identifies candidates and makes recommendations to the Board on the appointment or reappointment of the Directors and their succession planning. It reviews structure, size and composition of the Board on an annual basis and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

Corporate Governance Report

In March 2019, the Company adopted a nomination policy for the appointment, reelection and removal of Directors. Individuals to be appointed as a director of the Company must have the character, professional skill, work experience and integrity and be able to demonstrate a standard of competence align with the Company's expectations. The policy is reviewed by the Nomination Committee on an annual basis.

The Nomination Committee is chaired by an Independent Non-executive Director. There are 5 members and has a majority of Independent Non-executive Directors. It consists of 4 Independent Non-executive Directors, namely Mr. IP Shing Hing (chairman), Mr. LAI Kin Jerome, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim, and an Executive Director Mr. WONG Shik Ho Tony.

During the year, the Nomination Committee held 1 meeting with 100% attendance and has discharged the following duties:

- It reviewed structure, size and composition (including gender, skills, knowledge and experience) of the Board;

- It conducted an evaluation on background of candidate to ensure she possessed the required levels of skill, care, diligence and independence before making recommendation to the Board for her appointment as an additional Independent Non-executive Director; and

- It made recommendation to the Board for the reappointment of Directors retiring at the 2023 annual general meeting.

Attendance record of the Nomination Committee is set out on page 66 of this Annual Report.

Investment Committee

The Board set up the Investment Committee in August 2015 with written terms of reference.

The Investment Committee is responsible for the Company's long term investment policymaking and conducts a regular review on it. It evaluates investment projects proposed by management and provides recommendations to the Board.

The Investment Committee comprises three Executive Directors, namely, Mr. WONG Shik Ho Tony (chairman), Mr. WONG Fong Pak and Mr. LEUNG Wah Kan and two Independent Non-executive Directors, namely, Mr. IP Shing Hing and Mr. LAI Kin Jerome.

During the year, no Investment Committee meeting was held.

DIVERSITY

The Company has adopted a board diversity policy to ensure there is a balanced composition of gender, cultural and educational background, skills and experience at the Board. The Board consists of 5 Executive Directors and 5 Non-executive (including 4 Independent Non-executive) Directors. 2 out of the 10 Directors are female. Although less than 10% of senior management of the Company is female, the Board is committed to improve its gender diversity as and when suitable candidates are identified for the appointment of senior management.

All Board and senior management appointments will continue to be made on meritocracy. Selection of candidate will be based on a wide range of aspects, including but not limited to gender, age, culture and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors which the Board may consider relevant and applicable from time to time, without immediate numerical target and timelines as to the gender ratio in the workforce. The ultimate decision on appointment will be based on merit and contribution that the selected candidate will bring to the Board, having due regard to the benefits of diversity on the Board.

The Nomination Committee will review the board diversity policy on a regular basis and monitor its implementation and effectiveness to ensure appropriate balance of gender diversity is achieved in the Board and the senior management with reference to stakeholders' expectation.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing and has performed the corporate governance duties as set out in the Code. During the year, the Board has performed the following corporate governance duties:

(1) to develop and review the Group's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of the Directors and the senior management;

(3) to review and monitor the Group's policies and practices in compliance with legal, statutory and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(5) to review the Group's compliance with the Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S REMUNERATION AND AUDITOR RELATED MATTERS

The remuneration paid and payable for the year ended 31 December 2022 to the Company's external auditor, BDO Limited, is set out as follows:

Services rendered to the Group	HK$
Audit services	1,470,000
Non-audit services (note)	160,000

Note: Non-audit services on agreed-upon procedures on the interim results of the Group and preliminary results announcement.

The remuneration paid or payable to other audit firms for audit services in the PRC is approximately HK$224,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining an adequate system of risk management and internal control of the Company and it conducts a review on the system on an annual basis through the Audit Committee.

Under code provision D.2.5 of the Code, the Company should have an internal audit function. During the year, the Company did not have an internal audit function but appointed an audit firm to undergo internal audit. The audit firm reported directly to and held regular meetings with the Audit Committee. It submitted an assessment report with recommendations to the Audit Committee to enable the Committee to conduct an evaluation on the effectiveness of the Company's risk management and internal control system. The assessment report covers the following:

- assessment of internal controls (including corporate level controls, disclosure of inside information, identification and reporting of connected person and connected transaction) of the Company and its key subsidiaries;

- assessment of the Company's risk management framework with reference to the Code; and

- summary of findings and recommendations for improvement of internal control and risk management.

The Board believes that engaging such an external professional firm to discharge the internal audit function on an annual basis would provide an independent unbiased opinion to the Board and would enhance the risk management and internal control of the Company.

During the year, the Audit Committee has conducted a review on the effectiveness of the risk management and internal control system of the Company and considered it to be effective and adequate.

COMPANY SECRETARY

Ms. LEE Yuet Wan was appointed as the Company Secretary with effect from 1 September 2021. She graduated from the University of London with a Bachelor of Law (Hons) Degree. She was conferred a Master of Laws in International Economic Law by the Chinese University of Hong Kong and a Master of Arts in Language Studies (Language and Law) by the City University of Hong Kong. Ms. LEE joined the Group in August 2011 and has knowledge of the Group's daily affairs. She is accountable to the Board and her main duties are as follow:

- to ensure that the Company is fully compliant with applicable statutory and regulatory requirements,
- to ensure Board procedures are followed and Board activities are conducted efficiently and effectively,
- to advise the Board on corporate governance matters and to arrange induction and continuous professional training for Directors,
- to ensure all Directors have access to her advice and services.

During the year, Ms. LEE has taken no less than 15 hours of relevant professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting by shareholders

By virtue of Article 64 of the Articles of Association of the Company, an extraordinary general meeting of the Company (the "EGM") shall be convened on the requisition of one or more shareholders holding, on the date of deposit of the requisition, not less than 10% of the paid up capital of the Company having the right to vote at general meetings concerned. The Shareholder(s) may, by making requisition in writing to the Board or the Company Secretary requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Under such circumstances, an EGM shall be held within 2 months after the deposit of such requisition.

If the Board fails to proceed to convene the EGM within 21 days of the deposit of such requisition, the requisitionist(s) himself (themselves) may convene the EGM in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

Corporate Governance Report

Shareholder enquires

Shareholder enquires will be handled according to the arrangement set out below.

Nature of Enquires	To
Enquires in relation to any of the following: • Shareholdings, • Share transfer, • Registration, and • Payment of dividend	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Other enquires	PC Partner Group Limited 28th Floor, NCB Innovation Centre 888 Lai Chi Kok Road Kowloon Hong Kong Attn: Investor Relation Team Email address: ir@pcpartner.com

Procedure for putting forward a shareholder's proposal at general meetings

Shareholder may put forward a proposal at the Company's general meeting by sending a written notice of proposal ("Proposal") with his/her contact information to the Company's principal place of business at 28/F, NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong for the attention of the Board or the Company Secretary.

Identity of the shareholder will be verified with the Company's Hong Kong branch share registrar. Upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

Shareholders will be given sufficient notice for consideration of the Proposal and in any event no less than the notice period set out below:

	Nature of Proposal	Notice Period
1	Resolution in annual general meeting	21 clear days
2	Special resolution in extraordinary general meeting	• include 20 business days • exclude the date of the notice and the date of the meeting
3	Ordinary resolution in extraordinary general meeting	14 clear days • include 10 business days • exclude the date of the notice and the date of the meeting

INVESTOR RELATIONS

Significant changes in the Company's constitutional documents

There is no changes in the Company's constitutional documents during the year. However, the Board proposed to make certain amendments to the Company's memorandum and articles of association (the "Memorandum and Articles of Association") to, amongst others, conform with the core standards as set out in Appendix 3 of the Listing Rules and allow the Company to hold electronic and hybrid general meetings.

The Board also proposed to adopt a new Memorandum and Articles of Association in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association. Full text of the proposed new Memorandum and Articles of Association will be sent to shareholders and a special resolution will be proposed at the forthcoming annual general meeting for approval of the adoption of the proposed new Memorandum and Articles of Association.

Communication Policy

The Company values communication with its shareholders and investors. The Company has adopted a shareholder communication policy with an aim to ensure all shareholders and investors have equal and timely access to the Company information. Principal channels of communication used by the Company during the year are set out below:

Annual general meeting	As a standard practice, all Directors, chief financial officer and external auditor attend the annual general meeting so that shareholders would have a face to face communication with them.
Financial reports and announcements	All financial reports and updated business information are published in accordance with the Listing Rules on the Stock Exchange's and the Company's websites (www.pcpartner.com) respectively to keep shareholders and investors well informed of the most updated company information.
Company website	The Company's website (www.pcpartner.com) provides shareholders and investors with timely access to the Company information.

The Board has reviewed the shareholder communication policy and considers the existing communication channels provide an effective communication between shareholders and the Company.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Shik Ho Tony, aged 63, 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 the chairman of Investment Committee, 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 VGA Cards, motherboards, Mini PCs and other PC accessories 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 73, 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. He is also a member of Investment Committee of the Board. 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 64 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. He is also a member of Investment Committee of the Board. 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 (the "University").

Mr. HO Nai Nap, aged 67, 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. He is responsible for the general management, including product and sales. 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 ("U.S.A.").

Mr. MAN Wai Hung, aged 57, 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.

NON-EXECUTIVE DIRECTORS

Mrs. HO WONG Mary Mee-Tak, aged 73, 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 University (now known as Toronto Metropolitan University) in 1972.

Mr. CHIU Wing Yui, aged 58 was appointed as an *Alternate Director* to Mrs. HO WONG Mary Mee-Tak on 1 November 2012. Mr. CHIU has been a Non-executive Director of the Company from 24 January 2011 to 31 October 2012. 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, United Kingdom. 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, *B.B.S., J.P.*, aged 67, 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 each of the Audit Committee and the Investment Committee of the Board. Mr. IP was conferred a Bachelor of Laws (Hons) Degree in 1978 by the University of Hong Kong, a Master of Laws in Arbitration and Dispute Resolution in 2005 by the City University of Hong Kong, and a Master of Laws in Technology and Intellectual Property Law in 2021 by the University of Hong Kong. Mr. IP is a Justice of the Peace and was awarded the Bronze Bauhinia Star by the HKSAR Government in 2022. He is a solicitor and a notary public of Hong Kong, and a China-Appointed Attesting Officer. He has been a practicing solicitor in Hong Kong for more than 40 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), Chairman of Association of China-Appointed Attesting Officers Limited from 2012 to 2014, 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) from 30 May 2010 to 31 December 2016.

Mr. LAI Kin Jerome, aged 74, 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, the Nomination Committee and Investment 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 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. LAI was an Independent Non-executive Director of Mastercraft International Holdings Limited from 21 June 2012 to 19 February 2016, a company listed on the Stock Exchange.

Directors and Senior Management

Mr. CHEUNG Ying Sheung, aged 69, 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 in 1980 and is currently honorary professors of Electrical and Electronic Engineering, and of Computer Science, after retiring as a professor in 2018. He has held various other positions at the University, inter alia, the Dean of Faculty of Engineering between 1994 and 2000, Associate Vice-President (Research) between 2012 and 2015, and Managing Director of Versitech Limited between 2004 and 2016. 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.

Ms. CHAN Yim, aged 50, was appointed as an Independent Non-executive Director on 1 January 2023. She graduated from the Hong Kong University of Science and Technology with a bachelor's degree in Business Administration in Accounting in 1995. She is a fellow member of the Hong Kong Institute of Certified Public Accountants holding practising certificate. Ms. CHAN was appointed as company secretary of Great Wall Terroir Holdings Limited (formerly known as Great Wall Belt & Road Holdings Limited, and formerly also known as e-Kong Group Limited) (stock code: 0524) from May 2017 to March 2018. Ms. CHAN has over 25 years of experience in financing, auditing, accounting and company secretarial areas.

SENIOR MANAGEMENT

Mr. CHOW Hon Fat, age 56, *Director of Program Management — Graphics, SSD and Memory Procurement*, is responsible for account servicing and program management of the Group's VGA Cards ODM/OEM business. Prior to joining the Group in July 1997, Mr. Chow was the production and material control manager of VTech Computers Limited.

Mr. WONG Man Fai, age 61, *Director of Product*, is responsible for product marketing of the ZOTAC VGA 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 Bachelor Degree in Business (Management) from Royal Melbourne Institute of Technology University Australia and a Higher Certificate in Purchasing and Supply from Hong Kong Baptist University. He joined the Group in July 2006.

Mr. LIU Ngai Choi, age 51, *Director of Sales — APAC Region*, is responsible for the Group's sales and marketing of motherboards, VGA Cards and miniPC products in the Asia Pacific region. Mr. Liu has over 15 years of relevant electronics sales experience. Prior to joining the Group in October 2005, he has worked with Ocean Office Automation and Accuracy Information Technology.

Mr. YANG Ho Ching, age 59, *General Manager*, is responsible for the Group's VGA Cards, motherboard and miniPC manufacturing operations in Dongguan. He joined the Group in November 2013. Mr. Yang has more than 25 years' experience in electronic engineering and computer manufacturing in Taiwan and China. Prior to joining the Group, he has held various quality and manufacturing management positions at Taiwan Micro-Star International, Xin Qiang Electronics and GVC Corporation etc.

Mr. HUANG Chia Pao, age 57, is *Director of Product*, is responsible for the product development of motherboard and miniPC businesses 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 Corporations, DFI San Jose and OCZ Technology Group in Taiwan and the U.S.A.. Mr. Huang holds a Bachelor Degree in Business Administration from the National Chung Hsing University in Taiwan.

Mr. LAU Ka Lai Gary, age 53, *Chief Financial Officer*, is responsible for overall financial, accounting, legal and information technology functions of the Group. He is also the President of Zotac USA, a wholly-owned subsidiary of the Company in the U.S.A.. Mr. Lau joined the Group in October 2010. Prior to joining the Group, he has worked for ROLEX (HONGKONG) LIMITED, Johnson Electric International Limited, Linyi Shansong Biological Products Company Limited, Oracle Systems Hong Kong Limited, e2e Business Solutions Limited and Deloitte Touche Tohmatsu. Mr. Lau is a member of American Institute of Certified Public Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lau graduated from the University of Windsor, Canada, with a Bachelor Degree in Commerce and the University of Western Ontario, Canada, with a Bachelor Degree in Science. He also holds a Master Degree in Business Administration and a Master Degree in Business Systems from the University of Manchester and the Monash University respectively.

Mr. CHOW Pak Keung, age 56, *Director of Program Management — EMS*, is responsible for account servicing and program management of the Group of EMS business. Prior to joining the Group in July 1997, he was a Senior Mechanical Engineer of VTech Computers Limited. Mr. Chow holds a Higher Certificate in Mechanical Engineering from Hong Kong Polytechnic University and a Diploma in Mechanical Engineering from Vocational Training Council.

Mr. FONG Wing Fai, age 56, *Engineering Director — Design*, is responsible for the Group's design engineering, product planning, design roadmap as well as advising the Group on the latest product technology trend and strategy. Mr. Fong has over 25 years' experience in engineering industry. Prior to joining the Group, he has worked for VTech Computers Limited as Project Manager. Mr. Fong holds a Bachelor Degree in Electrical and Electronic Engineering from the University.

Mr. KIM Seong Pyo, age 60, *General Manager* of Zotac Korea, a wholly-owned subsidiary of the Company. Mr. Kim has more than 25 years' experience in international IT business. Prior to joining Zotac Korea in May 2010, he has worked for Inside TNC Europe. Mr. Kim holds a Master Degree in Business from Hamburg University Germany.

Ms. HO Ka Yan Annie, age 48, *Director of Human Resources & Administration*, is responsible for the Group's human resource management and organizational administration. Ms. Ho joined the Group in 2013 and has more than 18 years' experience in human resource and administration in Hong Kong and China. Prior to joining the Group, she has held various positions in G'Five Group as well as private equity management offices.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in the design, development and manufacturing of VGA Cards for desktop PCs, EMS, and manufacturing and trading of other PC related products and components.

An analysis of the Group's revenue and segment information is set out in notes 7 and 6 respectively to the consolidated financial statements.

BUSINESS REVIEW

Details of the operation of the Company's principal business during the year, as required by Schedule 5 to the Companies Ordinance, including particulars of important events affecting the Group that have occurred since 31 December 2022 (if any) as well as an indication of likely future development in the Group's business, an analysis of key performance indicators, a description of the principal risks and uncertainties facing the Group, and the Group's environmental policies and performance are set out under the sections "Chairman's Statement" on pages 6 to 7, "Management Discussion and Analysis" on pages 8 to 20 and "Environmental, Social and Governance Report" on pages 21 to 63 of this Annual Report respectively.

Details of the Company's relationships with its employees, suppliers and customers that have a significant impact on the Group and on which the Group's success depends are set out under the section "Environmental, Social and Governance Report" of this Annual Report.

The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of comprehensive income on page 96 of this Annual Report.

The Board does not propose any final dividend for the year ended 31 December 2022 so as to enable the Company to retain a higher level of cash flow for future investments. However, the Board recommends a special dividend of HK$0.25 per share for the year ended 31 December 2022 to be paid on or before 10 July 2023 (Monday) to the shareholders of the Company whose names appear on the Company's register of members at the close of business on 27 June 2023 (Tuesday) to celebrate the Group's 25th anniversary.

DIVIDEND POLICY

The Company has adopted a dividend policy. The Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's current and future operations, actual and expected financial performance;

(b) the Group's liquidity position, working capital and capital expenditure requirements and future expected capital needs;

(c) any corporate development plans;

(d) any restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties;

(e) the level of the Group's debt to equity ratio, return on equity and the relevant financial covenants;

(f) retained earnings and distributable reserves of the Company and each of the members of the Group;

(g) general economic conditions, the business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and

(h) any other factor that the Board deems appropriate and relevant.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Laws of the Cayman Islands, the articles of association of the Company and any applicable laws, rules and regulations.

Report of the Directors

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 32 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out on pages 99 to 100 and note 41 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2022 amounted to approximately HK$1,010.5 million.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$8,000.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

INFORMATION ON SUBSIDIARIES

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

FIVE-YEAR 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 2022.

	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
RESULTS					
Revenue	**10,755,308**	15,459,055	7,761,758	7,556,477	9,122,319
Profit before income tax	**843,208**	2,930,124	247,720	983	316,859
Income tax	**(141,311)**	(553,568)	(39,683)	8,837	(46,877)
Profit for the year	**701,897**	2,376,556	208,037	9,820	269,982
Attributable to:					
Owners of the Company	**702,484**	2,374,320	207,276	10,266	270,843
Non-controlling interests	**(587)**	2,236	761	(446)	(861)
	701,897	2,376,556	208,037	9,820	269,982
ASSETS AND LIABILITIES					
Total assets	**6,155,439**	6,924,463	3,987,383	4,031,773	4,357,972
Total liabilities	**(3,304,294)**	(3,834,121)	(2,883,605)	(3,152,050)	(3,480,648)
Total equity	**2,851,145**	3,090,342	1,103,778	879,723	877,324

Report of the Directors

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 THE COMPANY'S LISTED SECURITIES

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

SHARE OPTION SCHEME

The shareholders of the Company approved and adopted a 2016 Share Option Scheme on 17 June 2016. Particulars of 2016 Share Option Scheme of the Company are set out in note 33 to the consolidated financial statements.

As at the date of this Annual Report, the total number of shares available for issue under 2016 Share Option Scheme of the Company was 90,000, representing 0.023% of the shares of the Company in issue.

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 *(Alternate Director to Mrs. HO WONG Mary Mee-Tak)*

Independent Non-executive Directors:
Mr. IP Shing Hing, *B.B.S., J.P.*
Mr. LAI Kin Jerome
Mr. CHEUNG Ying Sheung
Ms. CHAN Yim (effective from 1 January 2023)

In accordance with Article 108 of the Articles of Association, Mr. HO Nai Nap, Mr. LAI Kin Jerome and Mr. CHEUNG Ying Sheung will retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the general meeting.

Pursuant to Article 112 of the Articles of Association, Ms. CHAN Yim will hold office until the forthcoming annual general meeting and, being eligible, will offer herself for re-election at the general meeting.

The Company has received annual confirmation of independence from each of the four Independent Non-executive Directors, Mr. IP Shing Hing, Mr. LAI Kin Jerome, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim that they have met all the factors concerning their independence as set out in Rule 3.13 of the Listing Rules and that there are no other factors which may affect their independence. The Board considers these Independent Non-executive Directors to be independent.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 36 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, any of its holding companies or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the 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 3 years commencing from 12 January 2012 unless terminated by either party by 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, a discretionary performance bonus and a discretionary profit-sharing bonus under the agreements.

Ms. CHAN Yim was appointed as an Independent Non-executive Director on 1 January 2023. Her letter of appointment with the Company is for a term of 3 years commencing from 1 January 2023 unless otherwise terminated by either party by giving a minimum of 3 months' prior written notice.

Each of the Non-executive Director and the remaining 3 Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of 3 years commencing from 12 January 2012 unless terminated by either party by giving to the other party not less than 3 months' prior written notice.

Each of the Executive Directors, Non-executive Director and Independent Non-executive Directors 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.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into with Directors or existed during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, 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
Mr. WONG Shik Ho Tony	Beneficial owner	55,405,750	14.29%
Mrs. HO WONG Mary Mee-Tak	Beneficial owner and Interest in controlled corporation (note)	55,050,000	14.20%
Mr. WONG Fong Pak	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Beneficial owner	21,472,538	5.54%
Mr. MAN Wai Hung	Beneficial owner	5,807,065	1.50%
Mr. CHEUNG Ying Sheung	Beneficial owner	176,000	0.05%
Mr. LAI Kin Jerome	Beneficial owner	150,000	0.04%

Note: 54,850,000 shares out of the 55,050,000 shares are owned by Perfect Choice Limited. As the entire issued share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 shares held by Perfect Choice Limited 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. IP Shing Hing	22 September 2020 (to be expired on 31 March 2023)	200,000	0.05%

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the Share Options as disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares", 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 31 December 2022, 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
Mr. WONG Shik Ho Tony	Long position	Beneficial owner	55,405,750	14.29%
Mrs. HO WONG Mary Mee-tak	Long position	Beneficial owner and interest in controlled corporation (note)	55,050,000	14.20%
Perfect Choice Limited	Long position	Beneficial owner	54,850,000	14.15%
Mr. WONG Fong Pak	Long position	Beneficial owner	27,639,750	7.13%
Mr. LEUNG Wah Kan	Long position	Beneficial owner	25,100,500	6.47%
Mr. HO Nai Nap	Long position	Beneficial owner	21,472,538	5.54%

Note: 54,850,000 shares out of the 55,050,000 shares are owned by Perfect Choice Limited. As the entire share capital of Perfect Choice Limited is owned by Mrs. HO WONG Mary Mee-Tak, Mrs. HO WONG Mary Mee-Tak is deemed to be interested in the 54,850,000 shares held by Perfect Choice Limited 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:

	2022 %	2021 %
Sales		
— the largest customer	6%	7%
— five largest customers combined	22%	18%
Purchases		
— the largest supplier	66%	65%
— five largest suppliers combined	78%	74%

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.

Report of the Directors

CONNECTED TRANSACTIONS

During the year, there is no connected transaction of the Group which is subject to the requirements of reporting, annual review, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

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 64 to 75 of this Annual Report.

PERMITTED INDEMNITY

Pursuant to the Bye-laws, the Director(s) shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation to any affairs of the Company.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by BDO Limited which will retire and, 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, 24 March 2023

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of PC Partner Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 96 to 187, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to notes 4(j)(i) and 7 to the consolidated financial statements

The Group's revenue principally comprises sales of video graphics cards, electronics manufacturing services and other PC related products and components. Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and it is significant to the consolidated financial statements.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter.

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;

- Assessing the appropriateness of the Group's revenue recognition policy under HKFRS 15 by inspecting a sample of representative contracts with customers;

- Assessing the existence and identity of a sample of new customers of the Group during the year by performing background searches on these customers;

- Assessing whether revenue had been recognised in the appropriate accounting period and in accordance with the terms of the sales contracts by comparing a sample of sales transactions recorded immediately before and after the year end with relevant underlying documents, which included delivery notes or documentation indicating the customers' acknowledgement of delivery of the goods sold; and

- Identifying significant sales returns from the sales ledger after the year end and inspecting the underlying documentation in relation to these sales returns to assess if the related adjustments to revenue had been accounted for in the appropriate accounting period.

Provision for obsolete inventories

Refer to notes 4(h), 5 and 22 to the consolidated financial statements

As at 31 December 2022, inventories net of provision for obsolescence of HK$153,479,000 amounted to HK$1,831,959,000 which represent approximately 29.8% of total assets of the Group. The inventories are measured at the lower of cost and net realisable value. Sales of video graphics cards and other PC related products and components can be extremely volatile with the launching in the market of new computer products based on more advanced technology. As a result there is significant risk that the carrying value of inventories exceed their net realisable value. In view of the above, management has made estimates based on certain assumptions relating to inventory obsolescence. Obsolescence provision considerations included inventories ageing profiles, as well as different market factors impacting the sales of these models of products. In addition, the determination of the method and period to use to determine the provisioning percentages to be applied to aged inventories as a result of changing trends, requires significant judgement based on experience.

Accordingly, the provision carried against inventories is considered to be a key audit matter.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- Evaluating the assumptions and estimates applied to the determination of obsolescence provision by performing analytical procedures and comparison to historical records, taking into account recent developments in the market;

- Assessing whether there were inventories which were sold with a negative margin by checking to sales invoices or available market information subsequent to 31 December 2022 on a sample basis to validate management's assessment of inventory obsolescence; and

- Checking on a sample basis that items on the inventory ageing listing were classified in the appropriate ageing bracket.

Independent Auditor's Report

Impairment of trade receivables

Refer to notes 4(i)(ii), 5, 23 and 38(a) to the consolidated financial statements

As at 31 December 2022, the Group had trade receivables measured at amortised cost of HK$1,469,736,000, and accumulated impairment losses of HK$313,948,000 has been made over the balance.

Determining loss allowances for trade receivables measured at amortised cost is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade receivables measured at amortised cost as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowances are inherently subjective and require significant management judgement.

Our response:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

- Obtaining an understanding of the model adopted by management in estimating lifetime expected credit losses and key controls which oversee credit control, debt collection and estimation of lifetime expected credit losses;

- Checking the ageing analysis of the trade receivables, on a sample basis;

- Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgement, including checking the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and

- Checking subsequent settlement of the year end trade receivables balances on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Li Pak Ki
Practising Certificate no. P01330

Hong Kong, 24 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6, 7	**10,775,308**	15,459,055
Cost of sales		**(9,212,346)**	(11,171,893)
Gross profit		**1,562,962**	4,287,162
Other revenue and other gains and losses	8	**(1,347)**	123,966
Selling and distribution expenses		**(121,532)**	(185,831)
Administrative expenses		**(523,278)**	(816,658)
Impairment losses on financial assets		**(533)**	(321,712)
Finance costs	9	**(32,551)**	(20,215)
Share of loss of a joint venture		**(40,513)**	(136,588)
Profit before income tax	10	**843,208**	2,930,124
Income tax	11	**(141,311)**	(553,568)
Profit for the year		**701,897**	2,376,556
Other comprehensive income, after tax			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instrument at FVTOCI		**(2,249)**	(4,001)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		**(5,010)**	(7,128)
Exchange differences on translating a joint venture		**—**	2,446
Total comprehensive income for the year		**694,638**	2,367,873
Profit for the year attributable to:			
— Owners of the Company		**702,484**	2,374,320
— Non-controlling interests		**(587)**	2,236
		701,897	2,376,556
Total comprehensive income for the year attributable to:			
— Owners of the Company		**695,225**	2,365,637
— Non-controlling interests		**(587)**	2,236
		694,638	2,367,873
		HK$	HK$
Earnings per share	15		
— Basic		**1.81**	6.21
— Diluted		**1.81**	6.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Property, plant and equipment	16	596,378	94,215
Right-of-use assets	17	121,766	114,182
Intangible assets	18	4,825	4,825
Other financial asset	19	1,268	3,517
Interest in a joint venture	20	—	40,513
Deferred tax assets	21	3,999	9,641
Trade and other receivables	23	5,383	2,705
Total non-current assets		733,619	269,598
Current assets			
Inventories	22	1,831,959	1,511,577
Trade and other receivables	23	1,260,597	1,307,096
Right of return assets	24	69,561	71,091
Tax recoverable		52,380	—
Cash and bank balances	25	2,207,323	3,765,101
Total current assets		5,421,820	6,654,865
Total assets		6,155,439	6,924,463
Current liabilities			
Trade and other payables	26	1,237,752	2,130,342
Refund liabilities	27	83,794	96,445
Contract liabilities	28	76,521	209,564
Borrowings	29	1,738,733	702,337
Provision for product warranties	30	39,436	61,118
Lease liabilities	31	30,864	26,049
Current tax liabilities		—	513,042
Total current liabilities		3,207,100	3,738,897
Net current assets		2,214,720	2,915,968
Total assets less current liabilities		2,948,339	3,185,566

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Total non-current liabilities			
Lease liabilities	31	**97,194**	95,224
NET ASSETS		**2,851,145**	3,090,342
Capital and reserves			
Share capital	32	**38,768**	38,738
Reserves		**2,810,038**	3,048,678
Equity attributable to owners of the Company		**2,848,806**	3,087,416
Non-controlling interests		**2,339**	2,926
TOTAL EQUITY		**2,851,145**	3,090,342

On behalf of the Board

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Equity attributable to owners of the Company											
	Share capital	Share premium (note (a))	Translation reserve	Merger reserve (note (b))	Other reserve (note (c))	Legal reserve (note (d))	Financial asset at FVTOCI reserve	Share-based payment reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	37,209	165,033	7,442	6,702	21,770	7,165	(8,102)	4,871	860,998	1,103,088	690	1,103,778
Profit for the year	–	–	–	–	–	–	–	–	2,374,320	2,374,320	2,236	2,376,556
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	–	–	(7,132)	–	4	–	–	–	–	(7,128)	–	(7,128)
– exchange differences on translating a joint venture	–	–	2,446	–	–	–	–	–	–	2,446	–	2,446
– changes in fair value of equity instrument at FVTOCI	–	–	–	–	–	–	(4,001)	–	–	(4,001)	–	(4,001)
Total comprehensive income	–	–	(4,686)	–	4	–	(4,001)	–	2,374,320	2,365,637	2,236	2,367,873
Share issued under share option scheme	1,529	31,960	–	–	–	–	–	(8,872)	–	24,617	–	24,617
Dividends paid (note 14)	–	–	–	–	–	–	–	–	(410,267)	(410,267)	–	(410,267)
Transfer to retained profits	–	–	–	–	–	(3,659)	–	–	3,659	–	–	–
Equity settled share-based transactions (note 33)	–	–	–	–	–	–	–	4,341	–	4,341	–	4,341
At 31 December 2021 and 1 January 2022	38,738	196,993	2,756	6,702	21,774	3,506	(12,103)	340	2,828,710	3,087,416	2,926	3,090,342
Profit for the year	–	–	–	–	–	–	–	–	702,484	702,484	(587)	701,897
Other comprehensive income												
– exchange differences on translating foreign subsidiaries	–	–	(5,011)	–	1	–	–	–	–	(5,010)	–	(5,010)
– changes in fair value of equity instrument at FVTOCI	–	–	–	–	–	–	(2,249)	–	–	(2,249)	–	(2,249)
Total comprehensive income	–	–	(5,011)	–	1	–	(2,249)	–	702,484	695,225	(587)	694,638
Share issued under share option scheme	30	626	–	–	–	–	–	(173)	–	483	–	483
Dividends paid (note 14)	–	–	–	–	–	–	–	–	(934,318)	(934,318)	–	(934,318)
At 31 December 2022	38,768	197,619	(2,255)	6,702	21,775	3,506	(14,352)	167	2,596,876	2,848,806	2,339	2,851,145

Consolidated Statement of Changes In Equity

For the year ended 31 December 2022

Notes:

(a) Share premium represents premium arising from the issue of shares at a price in excess of their par value per share. Under the Companies Law of the Cayman Islands, the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(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 underwent in December 2011.

(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 included (i) reserve appropriated by a subsidiary established in Macau under the Macau Commercial Code which requires the subsidiary to retain not 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) reserves appropriated 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 registered capital of these entities. The statutory reserve can be utilised, upon obtaining approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Operating activities			
Profit before income tax		843,208	2,930,124
Adjustments for:			
Depreciation of property, plant and equipment		36,749	58,573
Depreciation of right-of-use assets		31,186	30,095
Impairment of intangible asset		—	—
Interest income		(10,455)	(9,276)
Net fair value gains on derivative financial instruments		(61)	(199)
Interest expense		32,551	20,215
Bad debts written off		152	39
Gain on disposal of property, plant and equipment		(379)	(78,704)
Gain on derecognised right-of-use assets		(162)	(27)
Property, plant and equipment written off		28	10
Impairment losses on financial assets		533	321,712
Provision for obsolete inventories		51,018	5,666
(Reversal of provision)/provision for product warranties and returns, net		(12,455)	47,374
Share of net loss of a joint venture		40,513	136,588
Share-based payment		—	4,341
Operating profit before working capital changes		1,012,426	3,466,531
Inventories		(371,319)	(608,875)
Right of return assets		1,529	(18,481)
Trade and other receivables		73,528	(205,515)
Trade and other payables		2,845,223	4,217,970
Refund liabilities		(12,651)	33,685
Contract liabilities		(133,242)	131,719
Provision for product warranties and returns		(9,227)	(17,703)
Cash generated from operations		3,406,267	6,999,331
Interest paid		(32,551)	(20,215)
Income tax paid		(700,672)	(56,222)
Net cash generated from operating activities		2,673,044	6,922,894

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Investing activities			
Payments to acquire property, plant and equipment		(538,935)	(56,080)
Prepayments to acquire property, plant and equipment		(5,685)	(10,420)
Proceeds from disposal of property, plant and equipment		390	126,271
Payments to acquire right-of-use assets		—	(19)
Interest received		10,455	9,276
Net cash received on settlement of derivative financial instruments		61	651
Net decrease in pledged time deposit		—	116
Net cash (used in)/generated from investing activities		(533,714)	69,795
Financing activities			
Issue of new shares		483	24,617
Dividends paid to owners of the Company		(934,318)	(410,267)
Proceeds from bank loans		193,930	—
Repayment of bank loans		(1,293)	(53,002)
Repayment of import loans		(2,887,326)	(3,889,146)
Repayment of principal of lease liabilities		(30,500)	(28,886)
Net cash used in financing activities		(3,659,024)	(4,356,684)
Net (decrease)/increase in cash and cash equivalents		(1,519,694)	2,636,005
Cash and cash equivalents at beginning of year		3,764,766	1,124,143
Effect of exchange rate changes on cash and cash equivalents		(38,085)	4,618
Cash and cash equivalents at end of year, representing Cash and bank balances (net of pledged time deposit)	25	2,206,987	3,764,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

PC Partner Group Limited (the "Company") was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies Act (Revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 January 2012. The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KYI-1108, Cayman Islands. Its principal place of business is situated at 28/F., NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong.

The Company and its subsidiaries (referred to as the "Group") are engaged in the business of design, manufacturing and trading of electronics and personal computer ("PC") parts and accessories with its operation base in Mainland China and trading of electronics and PC parts and accessories with its operation bases in Hong Kong, Japan, Korea and the U.S.A..

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

(a) Adoption of revised HKFRSs — effective on 1 January 2022

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

- Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37: Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to HKFRS 3: Reference to the Conceptual Framework
- Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41: Annual Improvements to HKFRSs 2018-2020

The Group has not early applied any amended HKFRSs that is not yet effective for the current accounting period.

Amendments to HKAS 16: Property, Plant and Equipment: Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(a) Adoption of revised HKFRSs — effective on 1 January 2022 (continued)

Amendments to HKAS 37: Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41: Annual Improvements to HKFRSs 2018–2020

Details of the amendments that are expected to be applicable to the Group are as follows:

HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (continued)

HK Interpretation 5 (2022): Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 (2022) was revised as a consequence of the Amendments to HKAS 1 issued in December 2022. The revision to HK Interpretation 5 (2022) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

Amendments to HKFRS 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 1 and HKFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

(b) Revised HKFRSs that have been issued but are not yet effective (continued)

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12.

The directors of the Company do not anticipate that the application of the above amendments in the future will have a material impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") 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 ("HK$"), which is the same as the functional currency of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 interests' share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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.

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.

(b) Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the note to the consolidated financial statements that discloses the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

(i) Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

(ii) Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

(i) The structure of the joint arrangement;

(ii) The legal form of joint arrangements structured through a separate vehicle;

(iii) The contractual terms of the joint arrangement agreement; and

(iv) Any other facts and circumstances (including any other contractual arrangements).

Joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the joint ventures' net assets except that losses in excess of the Group's interest in the joint ventures are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less costs of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

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:

Freehold buildings	39 years
Leasehold buildings	45 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 to 4 years
Machinery leased out under operating lease	5 years or over the lease terms, whichever the shorter
Electric generator	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit and loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 their 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.

(ii) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

— the technical feasibility of completing the intangible asset so that it will be available for use or sale;

— the intention to complete the intangible asset and use or sell it;

— the ability to use or sell the intangible asset;

— how the intangible asset will generate probable future economic benefits;

— the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

— the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible assets (continued)

(ii) Research and development expenditure (continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(iii) 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(p)).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing

(i) The Group as a lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease terms.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (continued)

(i) The Group as a lessee (continued)

Lease liability (continued)

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient set out in the amendment to HKFRS 16 COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leasing (continued)

(ii) The Group as a lessor

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease terms.

(h) 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.

(i) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through profit or loss ("FVTPL"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income ("FVTOCI") are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(ii) Impairment loss on financial assets (continued)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 3 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities as at amortised cost. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings 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.

(iv) Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset shall be recalculated as present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate.

(v) 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 period. 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.

(vi) Equity instruments

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

(vii) 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 HKFRS 9.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition (continued)

(i) Sales of video graphics cards ("VGA Cards"), electronics manufacturing services ("EMS") and other PC related products and components

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30–90 days.

Some of the Group's contracts with customers from the sale of products provide customers a right of return. The right of return allows the returned goods to be refunded in cash for specific customers. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return. Consequently, the Group recognises a right of return asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate sales amount of returned goods as refund liability. At the end of each reporting period, the refund liability is re-measured arising from any changes in expectations about the amount of refunds with corresponding adjustments as revenue (or reductions of revenue). The right of return asset is recognised by reference to the former carrying amount of the products less any expected costs to recover those products including potential decrease in the value to the Group of returned products. At the end of each reporting period, the carrying amount of the right of return asset is re-measured arising from any changes in expectations about products to be returned.

(ii) Other Income

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

Rental income from operating leases is recognised in accordance with the accounting policy set out in note 4(g)(ii).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

(l) Contract costs

The Group applies the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts relating to the sale of goods as an expenses when incurred if the amortisation period of the assets that the Group otherwise would have recognised is within the same reporting period as the date of entering into the contract.

(m) 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.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and joint venture 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, deferred tax liabilities are recognised for all taxable 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, provided that the deductible temporary differences do not arise from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period and reflect any uncertainty related to income tax.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(n) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (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 translation 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currency (continued)

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation 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.

(o) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) 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.

(iii) 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.

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets

At the end of each reporting period, the Group/Company 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 (including right-of-use assets);
- intangible assets with finite useful lives; and
- investment in a subsidiary and a joint venture.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal 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.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

(q) 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 share-based payment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payments (continued)

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.

(r) 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.

(s) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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 applies:

(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;

(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); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, 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 may 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 (including right-of-use assets)

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 the higher of value in use calculations and fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement 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 of disposal and net present value of future cash flows 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 (including right-of-use assets) 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 the estimated useful lives and therefore affect the depreciation and amortisation charges in future periods.

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

Fair value measurement of financial assets

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Other financial asset (note 19)
- Trade receivables at FVTPL (note 23(b))

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Provision for obsolete inventories

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 value. 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 2022

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

Impairment of trade receivables

The provision rate of trade receivables is determined on assessment of their recoverability and ageing analysis of trade receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast of economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 38(a).

Warranty provision and refund liabilities

As explained in notes 27 and 30, the Group makes provisions under the warranties and right of return it gives on sales of its electronic 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.

Determining the lease term of contracts with extension options — the Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the Group.

The Group has several lease contracts that include extension options which are exercisable at the discretion of the Group. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control. The Group typically exercises its option to renew for these leases of properties used for production because there will be a significant negative effect on production if a replacement asset is not readily available and there was significant customisation to the leased asset. The majority of extension options held are exercisable only by the Group and not by the respective lessor. The Group assessed and concluded that it is reasonably certain that the Group will exercise extension options included in all of the lease arrangements of which the additional periods covered by extension options ranged from 1 to 5 years.

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

Estimating the incremental borrowing rate — the Group as lessee

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") of the relevant lessee to measure lease liabilities. The IBR is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the lessee would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease such as when leases are not in the subsidiary's functional currency. The Group estimates the IBR using observable inputs such as market interest rates when available.

To determine the IBR, the Group:

— Where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and

— Makes adjustments specific to the lease, e.g. term, country, currency and security.

Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences (including unused tax losses) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has recognised HK$3,999,000 (2021: HK$9,641,000) as deferred tax assets in respect of deductible temporary differences. These deductible temporary differences relate to subsidiaries that have taxable temporary difference or tax planning opportunities available that could partly support the recognition of these deductible temporary differences as deferred tax assets. Further details on deferred tax are disclosed in note 21.

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

Impairment of joint venture

The Group assesses whether there are any indicators of impairment of joint venture at the end of each reporting period. Management periodically reviews the joint venture for possible impairment or reversal of previously recognised impairment. The recoverable amount of the joint venture is the higher of its fair value less costs of disposal and value in use. If such assets are considered by management to be impaired or impairment recognised is no longer required, the impairment required or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds or exceeded by the estimated recoverable amount of the assets respectively. Further details on impairment of joint venture as at 31 December 2021 are disclosed in note 20.

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the regional reports reviewed by the chief operating decision maker which is the board of directors that are used to make strategic decisions. The Group principally operates in one business segment, which is the design, manufacturing and trading of electronics and PC parts and accessories. The following summary describes the operation of the Group's reportable segments:

Revenue from contracts with customers within the scope of HKFRS 15:

	2022 **HK$'000**	2021 HK$'000
Design, manufacturing and trading of electronics and PC parts and accessories	**10,775,308**	15,459,055

6. SEGMENT REPORTING (CONTINUED)

(a) Reportable segments (continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major products and services, brand and non-brand businesses and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

For the year ended 31 December	Design, manufacturing and trading of electronics and PC parts and accessories	
	2022	2021
	HK$'000	HK$'000
Primary geographical markets		
Asia Pacific ("APAC")	**3,733,959**	5,099,665
North and Latin America ("NALA")	**2,078,456**	2,654,140
PRC	**1,999,731**	3,790,897
Europe, Middle East, Africa and India ("EMEAI")	**2,963,162**	3,914,353
	10,775,308	15,459,055
Major products/services		
VGA Cards	**8,994,816**	13,569,962
EMS	**828,871**	819,114
Other PC related products and components	**951,621**	1,069,979
	10,775,308	15,459,055
Brand and non-brand businesses		
Brand businesses	**7,047,288**	10,369,359
Non-brand businesses	**3,728,020**	5,089,696
	10,775,308	15,459,055
Timing of revenue recognition		
At a point in time	**10,775,308**	15,459,055

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6. SEGMENT REPORTING (CONTINUED)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
APAC	**3,733,959**	5,099,665	**450,399**	14,688
NALA	**2,078,456**	2,654,140	**23,246**	23,203
PRC	**1,999,731**	3,790,897	**254,490**	218,173
EMEAI	**2,963,162**	3,914,353	**217**	376
	10,775,308	15,459,055	**728,352**	256,440

(c) Information about the major customer

During the years ended 31 December 2022 and 2021, none of the customers contributed 10% or more of the Group's revenue.

7. REVENUE

Revenue represents the net invoiced value of goods sold and service income earned by the Group. The following table provides information about contract liabilities from contracts with customers.

	2022	2021
	HK$'000	HK$'000
Contract liabilities (note 28)	**76,521**	209,564

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK$178,995,000 of the contract liabilities as at 1 January 2022 and HK$59,945,000 of the contract liabilities as at 1 January 2021 has been recognised as revenue for the year ended 31 December 2022 and 2021 respectively from performance obligations satisfied when the goods were sold.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

8. OTHER REVENUE AND OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Government grants (note)	**7,009**	4,774
Interest income	**10,455**	9,276
Net exchange losses	**(30,355)**	(25,516)
Net fair value gains on derivative financial instruments	**61**	199
Gain on disposal of property, plant and equipment	**379**	78,704
Sundry income	**11,104**	18,798
Rental income	**—**	37,731
	(1,347)	123,966

Note:

Included in 2022 government grants is HK$4,134,000 obtained from 2022 Employment Support Scheme ("ESS") under the Anti-Epidemic Fund launched by the Hong Kong SAR Government. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and retain current employees from May to July 2022. Included in 2021 government grants is HK$3,046,000 obtained from Paycheck Protection Program launched by the U.S.A. supporting the payroll of the Group's employees. The remaining government grants of 2022 and 2021 were received from several PRC local government authorities on a discretionary basis before year end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank advances and other borrowings	**27,915**	14,973
Interest on lease liabilities	**4,636**	5,242
	32,551	20,215

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10. PROFIT BEFORE INCOME TAX

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

	2022 HK$'000	2021 HK$'000
Inventories recognised as expense	**9,161,328**	11,166,227
Provision for obsolete inventories	**51,018**	5,666
Cost of sales	**9,212,346**	11,171,893
Staff costs (note 12)	**530,701**	822,837
Auditor's remuneration	**1,854**	1,932
Bad debts written off	**152**	39
Depreciation of property, plant and equipment	**36,749**	58,573
Depreciation of right-of-use assets	**31,186**	30,095
Impairment losses on financial assets (note 38(a))	**533**	321,712
Short-term lease expenses	**2,991**	3,477
Low-value assets leases expenses	**20**	22
Property, plant and equipment written off	**28**	10
(Reversal of provision)/provision for product warranties and returns, net (note 30)	**(12,455)**	47,374
Research and development expenditure (note)	**64,286**	58,089

Note:

The research and development expenditure for the year represents depreciation of plant and machinery and office equipment and right-of-use assets and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

11. INCOME TAX

(a) The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2022 HK$'000	2021 HK$'000
Current tax — Hong Kong		
— provision for the year	**125,536**	503,932
— over provision in respect of prior year	**(314)**	(316)
Current tax — PRC		
— provision for the year	**2,063**	14,390
— under/(over) provision in respect of prior years	**4,545**	(4,659)
Current tax — others		
— provision for the year	**2,898**	39,474
— under/(over) provision in respect of prior year	**984**	(2)
	135,712	552,819
Deferred tax		
— origination and reversal of temporary differences (note 21)	**5,599**	749
Income tax expense	**141,311**	553,568

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces a two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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11. INCOME TAX (CONTINUED)

(a) The amount of income tax expense in the consolidated statement of comprehensive income represents: (continued)

Under the two-tiered profits tax rates regime, if the entity has one or more connected entity, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. Hong Kong profits tax of the nominated entity is calculated at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million. For those entities which do not qualify for two-tiered profits tax rates, a profits tax rate of 16.5% on assessable profits shall remain in calculating Hong Kong profits tax. For the years ended 31 December 2022 and 2021, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. A significant subsidiary of the Company, PC Partner Limited, is entitled to claim 50% of all of its manufacturing profits as offshore in nature and non-taxable under Departmental Interpretation and Practice Notes No.21 issued by the Inland Revenue Department of Hong Kong.

The Company's wholly-owned subsidiary located in the PRC, 東莞栢能電子科技有限公司 successfully obtained the "High Technology Enterprise" status during 2012 and renewed successfully for three years from 2021 to 2023 and the applicable PRC enterprise income tax rate for the year is 15% (2021: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2021: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2022.

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

11. INCOME TAX (CONTINUED)

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

	2022 HK$'000	2021 HK$'000
Profit before income tax	**843,208**	2,930,124
Tax calculated at Hong Kong profits tax rate	**139,129**	483,470
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,059)**	(5,099)
Tax effect of non-taxable net income relating to offshore operation	**(11,818)**	(14,729)
Tax effect of expenses not deductible for tax purposes	**10,515**	33,887
Tax effect of revenue not taxable for tax purposes	**(4,839)**	(20,987)
Tax effect of tax losses and deductible temporary differences not recognised	**10,102**	84,918
Utilisation of tax losses and deductible temporary differences previously not recognised	**(2,848)**	—
Under/(over) provision in respect of prior year	**5,215**	(4,977)
Tax rebate and tax concession	**(4,592)**	(5,039)
Others	**2,506**	2,124
Income tax expense	**141,311**	553,568

12. STAFF COSTS

	2022 HK$'000	2021 HK$'000
Staff costs (including directors' emoluments) comprise:		
Wages and salaries	**472,565**	762,882
Pension contribution	**4,275**	5,115
Social insurance	**38,391**	39,341
Share-based payment (equity-settled)	**—**	4,327
Provision for long services payment, annual leave and others	**15,470**	11,172
	530,701	822,837

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13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2021: ten) directors were as follows:

Year ended 31 December 2022

Name of directors	Fees HK$'000	Basic salaries HK$'000	Discretionary bonuses 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 Directors								
Mr. WONG Shik Ho Tony	–	4,580	24,684	18	580	29,862	–	29,862
Mr. WONG Fong Pak	–	4,281	2,606	–	–	6,887	–	6,887
Mr. LEUNG Wah Kan	–	4,382	6,364	18	34	10,798	–	10,798
Mr. MAN Wai Hung	–	2,321	5,357	18	–	7,696	–	7,696
Mr. HO Nai Nap	–	2,541	7,531	–	23	10,095	–	10,095
Non-executive Directors								
Mrs. HO WONG Mary Mee-Tak	75	–	–	–	–	75	–	75
Mr. CHIU Wing Yui (note (iii))	75	–	–	–	–	75	–	75
Mr. IP Shing Hing	270	–	–	–	–	270	–	270
Mr. LAI Kin Jerome	270	–	–	–	–	270	–	270
Mr. CHEUNG Ying Sheung	270	–	–	–	–	270	–	270
	960	18,105	46,542	54	637	66,298	–	66,298

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

(a) Directors' emoluments (continued)

Year ended 31 December 2021

Name of directors	Fees HK$'000	Basic salaries HK$'000	Discretionary bonuses 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 Directors								
Mr. WONG Shik Ho Tony	–	4,425	120,818	18	575	125,836	278	126,114
Mr. WONG Fong Pak	–	4,136	29,566	–	37	33,739	278	34,017
Mr. LEUNG Wah Kan	–	4,234	61,859	18	65	66,176	277	66,453
Mr. MAN Wai Hung	–	2,243	36,245	18	17	38,523	278	38,801
Mr. HO Nai Nap	–	2,456	32,472	–	–	34,928	278	35,206
Non-executive Directors								
Mrs. HO WONG Mary Mee-Tak	60	–	–	–	–	60	54	114
Mr. CHIU Wing Yui (note (iii))	60	–	–	–	–	60	–	60
Mr. IP Shing Hing	240	–	–	–	–	240	54	294
Mr. LAI Kin Jerome	240	–	–	–	–	240	54	294
Mr. CHEUNG Ying Sheung	240	–	–	–	–	240	54	294
	840	17,494	280,960	54	694	300,042	1,605	301,647

Notes:

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

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

(ii) 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.

(iii) As alternative director to Mrs. Ho Wong Mary Mee-Tak.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2021: five) were directors of the Company whose emoluments are included in the disclosure in note 13(a) above.

The emoluments of the remaining one (2021: None) non-director individual whose emolument is included in the band of HK$18,000,001 to HK$18,500,000.

	2022 HK$'000	2021 HK$'000
Salary	2,206	—
Discretionary bonuses	15,869	—
Pension contribution	18	—
	18,093	—

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 (2021: HK$Nil). In addition, none of the directors waived or agreed to waive any emoluments during the year (2021: None).

(c) Senior management's emoluments

The emoluments paid or payable to members of senior management, which exclude directors, were within the following bands:

	2022 No. of individuals	2021 No. of individuals
HK$Nil to HK$1,000,000	2	—
HK$1,000,001 to HK$1,500,000	6	5
HK$1,500,001 to HK$2,000,000	2	2
HK$2,000,001 to HK$2,500,000	—	3
HK$2,500,001 to HK$3,000,000	—	1
HK$4,000,001 to HK$4,500,000	—	1
HK$5,500,001 to HK$6,000,000	1	—
HK$18,000,001 to HK$18,500,000	1	—

14. DIVIDENDS

	2022 HK$'000	2021 HK$'000
2021 Final dividend paid — HK$1.61 per share (2021: 2020 Final dividend paid — HK$0.22 per share)	**624,171**	85,058
2022 Interim dividend paid — HK$0.80 per share (2021: 2021 Interim dividend paid — HK$0.84 per share)	**310,147**	325,209
Dividends paid for the year	**934,318**	410,267

The directors of the Company do not propose any final dividend (2021: HK$1.61 per share) for the year ended 31 December 2022 and instead propose a special dividend of HK$0.25 (2021: HK$Nil) per share, totalling HK$96,921,000 (2021: final dividend of HK$624,171,000) after the end of the reporting period. The special dividend has not been recognised as liabilities at the end of the reporting period.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2022 and 2021 is based on the following data:

Profit	2022 HK$'000	2021 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**702,484**	2,374,320

Number of shares	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	**387,559,833**	382,364,939
Effect of dilutive potential ordinary shares:		
— share options	**329,508**	4,242,584
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**387,889,341**	386,607,523

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16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Office and testing equipment	Furniture and fixtures	Motor vehicles	Moulds	Machinery leased out under operating leases	Electric generator	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:											
At 1 January 2021	24,934	–	35,665	285,297	83,149	1,859	5,272	11,769	151,836	–	599,781
Additions	–	–	1,417	38,196	9,049	7	142	261	–	7,008	56,080
Disposals/written off	–	–	(1,265)	(17,542)	(1,909)	(92)	–	(1,230)	(151,836)	–	(173,874)
Exchange adjustments	144	–	(57)	–	(118)	(7)	(8)	–	–	–	(46)
At 31 December 2021 and 1 January 2022	**25,078**	**–**	**35,760**	**305,951**	**90,171**	**1,767**	**5,406**	**10,800**	**–**	**7,008**	**481,941**
Additions	**–**	**403,126**	**19,056**	**84,678**	**25,459**	**3,973**	**217**	**2,426**	**–**	**–**	**538,935**
Disposals/written off	**–**	**–**	**(2,253)**	**(28,121)**	**(4,009)**	**(331)**	**–**	**–**	**–**	**–**	**(34,714)**
Exchange adjustments	**39**	**–**	**(39)**	**–**	**(71)**	**(4)**	**(7)**	**–**	**–**	**–**	**(82)**
At 31 December 2022	**25,117**	**403,126**	**52,524**	**362,508**	**111,550**	**5,405**	**5,616**	**13,226**	**–**	**7,008**	**986,080**
Accumulated depreciation:											
At 1 January 2021	1,687	–	30,864	260,234	80,740	1,529	4,907	10,704	64,942	–	455,607
Depreciation	327	–	1,410	12,348	3,963	113	270	603	39,327	212	58,573
Written back on disposals/ written off	–	–	(1,265)	(17,542)	(1,899)	(92)	–	(1,230)	(104,269)	–	(126,297)
Exchange adjustments	11	–	(53)	–	(109)	(7)	1	–	–	–	(157)
At 31 December 2021 and 1 January 2022	**2,025**	**–**	**30,956**	**255,040**	**82,695**	**1,543**	**5,178**	**10,077**	**–**	**212**	**387,726**
Depreciation	**330**	**1,507**	**1,682**	**18,952**	**11,757**	**171**	**137**	**812**	**–**	**1,401**	**36,749**
Written back on disposals/ written off	**–**	**–**	**(2,251)**	**(28,109)**	**(3,984)**	**(331)**	**–**	**–**	**–**	**–**	**(34,675)**
Exchange adjustments	**3**	**–**	**(36)**	**–**	**(61)**	**(4)**	**–**	**–**	**–**	**–**	**(98)**
At 31 December 2022	**2,358**	**1,507**	**30,351**	**245,883**	**90,407**	**1,379**	**5,315**	**10,889**	**–**	**1,613**	**389,702**
Net book value:											
At 31 December 2022	**22,759**	**401,619**	**22,173**	**116,625**	**21,143**	**4,026**	**301**	**2,337**	**–**	**5,395**	**596,378**
At 31 December 2021	23,053	–	4,804	50,911	7,476	224	228	723	–	6,796	94,215

As at 31 December 2022, the Group had pledged certain office premises with an aggregate carrying value of approximately HK$369,790,000 to a bank.

17. RIGHT-OF-USE ASSETS

	Land and buildings (note) HK$'000	Office and testing equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2021	135,632	624	203	136,459
Additions	—	137	—	137
Depreciation	(29,736)	(160)	(199)	(30,095)
Effect of modification to lease terms	7,767	—	—	7,767
Foreign exchange movement	(82)	—	(4)	(86)
At 31 December 2021 and 1 January 2022	**113,581**	**601**	**—**	**114,182**
Additions	**32,653**	**—**	**1,415**	**34,068**
Depreciation	**(30,811)**	**(172)**	**(203)**	**(31,186)**
Effect of modification to lease terms	**16,442**	**—**	**—**	**16,442**
Disposal	**(11,682)**	**—**	**—**	**(11,682)**
Foreign exchange movement	**(72)**	**—**	**14**	**(58)**
At 31 December 2022	**120,111**	**429**	**1,226**	**121,766**

Note: The Group has lease contracts for factory and offices, which are mainly located in PRC and Hong Kong. The lease terms of contracts are generally from 1 to 10 years which include the period covered by extension options.

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18. INTANGIBLE ASSETS

	Brand name HK$'000	Non-contractual customer lists and relationship HK$'000	Goodwill HK$'000	Total HK$'000
Cost:				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**6,196**	**10,074**	**1,530**	**17,800**
Accumulated amortisation and impairment:				
At 1 January 2021, 31 December 2021, and 1 January 2022	1,371	10,074	1,530	12,975
Impairment	—	—	—	—
At 31 December 2022	**1,371**	**10,074**	**1,530**	**12,975**
Carrying amount:				
At 31 December 2022	**4,825**	**—**	**—**	**4,825**
At 31 December 2021	4,825	—	—	4,825

18. INTANGIBLE ASSETS (CONTINUED)

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 and fully amortised in prior years. The amortisation expense has been included in administrative expenses in the consolidated statement of comprehensive income.

For impairment testing, brand name of Innovision's brand is allocated to the cash generating unit (CGU) — VGA Cards retailing business that contribute the cash flows.

The recoverable amount of the CGU for Innovision's brand name has been determined from value in use calculations. The Group prepares cash flow projections derived from the most recent financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the long-term growth rate stated below.

The key assumptions used for value in use calculations are as follows:

	2022	2021
Profit margin (average of next three years)	**0.8%**	9.27%
Long-term growth rate	**2.5%**	2%
Growth rate for 2023 (2021: 2022)	**–13.5%**	–21%
Growth rate for 2024 to 2025 (2021: 2023 to 2024)	**2.5–5%**	–3%
Discount rate	**19.22%**	27.9%

Management determined the profit margin based on past performance and its expectations regarding market development. The long-term growth rate does not exceed the long-term average growth rate for the industry. The discount rate used is pre-tax and reflects specific risks relating to the CGU. The growth rates are based on industry growth forecasts. Profit margin is based on historical data of the CGU.

The recoverable amount of the CGU based on the estimated value in use calculations was higher than its carrying amount at 31 December 2022. Accordingly, no provision for impairment loss for Innovision's brand name is considered necessary.

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19. OTHER FINANCIAL ASSET

	2022 HK$'000	2021 HK$'000
Equity investment measured at FVTOCI — Non-current		
— Preferred stock in Dreamscape Immersive Inc. (note)	**1,268**	3,517
Total	**1,268**	3,517

Note:

This is an investment in 1% interest of preferred stock in a private company incorporated in the U.S.A. It is not accounted for under the equity method as the Group does not have the power to participate in the formulation of its operating and financial policies, evidenced by the lack of any direct or indirect involvement at board level. The Group does not have the right to appoint any directors in the board.

The Group has irrevocably elected at initial recognition to measure the investment at fair value through other comprehensive income upon adoption of HKFRS 9 as it is a strategic investment. No dividends were received on this investment during the year (2021: Nil). The reconciliation of unlisted equity investment is disclosed under note 39.

20. INTEREST IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Share of net assets	**—**	40,513

The Group and another independent third party formed a sino-foreign equity joint venture enterprise in the PRC on 25 March 2019 and each has 50% interest in the joint venture, FuZhou Partner Cloud Technology Co., Limited ("Partner Cloud"). The primary activity of Partner Cloud is the leasing of servers and projects involving cloud computing, container cloud and deep learning in the PRC.

The Group contributed cash of US$2,317,200 (approximately HK$18,146,000) and VGA Cards of US$14,482,800 (approximately HK$113,414,000). The other joint venture partner contributed computer servers and accessories of US$16,800,000 (approximately HK$131,560,000).

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Partner Cloud. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

20. INTEREST IN A JOINT VENTURE (CONTINUED)

The joint venture enterprise has ceased operations since July 2021 as requested by the PRC provincial government to perform a self-investigation to identify whether there was computational power in data center serving cryptocurrency mining which are required to suspend immediately.

As at 31 December 2021, the carrying value of each of the underlying assets of the joint venture enterprise was stated at their respective estimated recoverable amount as the joint venture enterprise has ceased operations and the possibility of resumption of the business of the joint venture enterprise is highly uncertain in light of the regulatory environment of the PRC in relation to cryptocurrency mining. The directors performed an impairment testing of the carrying value of the interest in a joint venture in accordance with the Group's accounting policy set out in note 4(p) and conclude that the carrying value of the interest in a joint venture is a close approximation of the fair value less costs of disposal of the interest in a joint venture and no impairment is required to be recognised.

Summarised financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	2022 HK$'000	2021 HK$'000
As 31 December		
Current assets	**38,207**	42,874
Non-current assets	**274,382**	582,726
Current liabilities	**(504,933)**	(544,575)
Net (liabilities)/assets	**(192,344)**	81,025
Included in the above amounts are:		
Cash and cash equivalents	**38,205**	42,872
Year ended 31 December		
Revenue	**–**	663,730
(Loss)/profit for the year	**(280,145)**	8,965
Included in the above amounts are:		
Depreciation and amortisation	**273,803**	369,718
Interest income	**119**	106
Income tax expense	**–**	(1,127)

The Group has discontinued the recognition of its share of loss of the joint venture, because the share of loss of the joint venture exceeds the Group's interest in the joint venture and the Group has no obligation to take up further loss. The amount of the Group's unrecognised share of loss of the joint venture for the current year was HK$99,560,000 (2021: Nil). As at 31 December 2022, the accumulated unrecognised loss of the joint venture was HK$99,560,000 (2021: Nil).

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21. DEFERRED TAX

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

	Decelerated tax depreciation HK$'000	Provision for doubtful debts, annual leave and warranty HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2021	245	6,810	3,375	10,430
(Charged)/credited to profit or loss	(73)	2,699	(3,375)	(749)
Exchange difference	(1)	(39)	—	(40)
At 31 December 2021 and 1 January 2022	**171**	**9,470**	**—**	**9,641**
Charged to profit or loss	**(360)**	**(5,239)**	**—**	**(5,599)**
Exchange difference	**(2)**	**(41)**	**—**	**(43)**
At 31 December 2022	**(191)**	**4,190**	**—**	**3,999**

Deferred tax asset has not been recognised for the followings:

	2022 HK$'000	2021 HK$'000
Unused tax losses	**52,788**	21,496
Other deductible temporary differences	**373,037**	378,732
	425,825	400,228

The PRC subsidiaries of the Company are subject to PRC withholding income tax at a statutory rate of 10% (2021: 10%) on any dividend declared. The temporary difference associated with investment in subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately HK$194,983,000 (2021: HK$158,754,000). The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

No deferred tax asset has been recognised in respect of the unused tax losses of HK$52,788,000 (2021: HK$21,496,000) and other deductible temporary differences due to the unpredictability of future profit streams which the deductible temporary differences can be utilised. The other deductible temporary differences mainly consist of full impairment losses on the outstanding balance of the customer as set out in note 23(d). Tax losses amounting to approximately HK$9,157,000 (2021: HK$2,748,000) could be carried forward indefinitely. Remaining tax losses amounting to approximately HK$43,631,000 (2021: HK$18,748,000) will expire in 2027.

22. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	**1,106,830**	1,052,327
Work in progress	**25,513**	17,330
Finished goods	**853,095**	559,437
	1,985,438	1,629,094
Less: Provision for obsolete inventories	**(153,479)**	(117,517)
	1,831,959	1,511,577

23. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables at amortised cost	**1,469,736**	1,553,726
Less: Accumulated impairment losses	**(313,948)**	(338,123)
Trade receivables at amortised cost, net (note (a))	**1,155,788**	1,215,603
Trade receivables at fair value through profit or loss (note (b))	**28,918**	26,032
Other receivables (note (c))	**12,785**	4,323
Deposits and prepayments	**74,048**	69,402
Less: Accumulated impairment losses	**(5,559)**	(5,559)
	68,489	63,843
	1,265,980	1,309,801
Less: Other receivables — non-current portion	**(409)**	—
Rental deposits — non-current portion	**(4,974)**	(2,705)
	(5,383)	(2,705)
Trade and other receivables — current portion	**1,260,597**	1,307,096

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23. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2022 and 31 December 2021, the Group entered into trade receivables factoring arrangement and transferred certain trade receivables to banks.

The details of factoring loans without recourse are set out in note (b).

Notes:

(a) The ageing analysis of trade receivables at amortised cost (net of impairment losses) of the Group, based on invoice dates, as at the end of the year is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 month	**751,228**	862,943
Over 1 month but within 3 months	**289,707**	345,072
Over 3 months but within 1 year	**110,108**	7,523
Over 1 year	**4,745**	65
	1,155,788	1,215,603

The Group recognised impairment losses based on the accounting policy stated in note 4(i)(ii).

The credit period on sale of goods is 30 to 90 days (2021: 30 to 90 days) from the invoice date. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 38(a).

(b)

	2022 HK$'000	2021 HK$'000
Trade receivables at fair value through profit or loss	**28,918**	26,032

It represents trade receivables which are subject to a factoring arrangement without recourse with specific customers. Under this arrangement, the Group will transfer the relevant receivables to the bank in exchange for cash after year end.

The Group considers this is a "hold to sell" model and hence these trade receivables are measured at fair value through profit or loss.

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(b) (continued)

The Group is also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period is HK$28,918,000 (2021: HK$26,032,000).

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on invoice dates, as at the end of the year is as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 month	**14,064**	12,037
Over 1 month but within 3 months	**14,704**	12,194
Over 3 months but within 1 year	**150**	1,801
	28,918	26,032

The credit period of sales of goods is 30 to 90 days from the invoice date.

The ageing analysis of trade receivables at fair value through profit or loss of the Group, based on due dates, as at the end of the year is as follows:

	2022 **HK$'000**	2021 HK$'000
Not past due	**28,768**	24,231
Within 1 month past due	**150**	1,801
	28,918	26,032

(c) The balance includes a claim of HK$2,460,000 (2021: HK$2,456,000) under an insurance policy as detailed in note 26(b).

(d) During the year ended 31 December 2019, the Group entered into a sales contract with a customer for sale of VGA Cards under which the sales amount would be paid by the customer in instalments the last of which would fall in May 2021. During 2020, a revised repayment schedule was agreed by both parties and the last instalment will fall in September 2022. The resulting modification loss of approximately HK$12,349,000 in 2020 which is accounted for in accordance with the Group's accounting policy set out in note 4(i)(iv) is recognised in profit or loss. As at 31 December 2022, the total outstanding balance due from the customer which is fully impaired amounted to HK$302,943,000 (2021: HK$327,651,000). The crack down on cryptocurrency mining and trading in China in 2021 has forced the customer to cease operation and resulted in a repayment issue of the remaining instalment receivable. The Group has reviewed the collectability of the debts as at 31 December 2021, it is uncertain when the customer will be able to resume the payment of the remaining balance according to the instalment payment scheme. Therefore, the Group has decided to make a full impairment of the total outstanding balance of the customer in the year ended 31 December 2021. The sales contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months and is accounted for in accordance with the Group's accounting policy set out in note 4(j). Interest income of HK$Nil (2021: HK$6,358,000) was recognised for the year ended 31 December 2022 and included under note 8.

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24. RIGHT OF RETURN ASSETS

	2022 **HK$'000**	2021 HK$'000
Right of return assets	**69,561**	71,091

The right of return assets represent the products expected to be returned from customers where customers exercise their right of return within two to three years from the date of sales ("Warranty Period"). The Group uses its accumulated historical experience to estimate the expected level of returns. The Group's accounting policy of right of return assets is set out in note 4(j)(i).

25. CASH AND BANK BALANCES

	2022 **HK$'000**	2021 HK$'000
Cash and bank balances	**2,207,323**	3,765,101
Less: Pledged time deposit	**(336)**	(335)
Cash and cash equivalents in the consolidated statement of cash flows	**2,206,987**	3,764,766

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

	2022 **HK$'000**	2021 HK$'000
Renminbi	**52,113**	69,503
Japanese Yen	**28,004**	20,191
Taiwan Dollars	**1,897**	2,222
United States Dollars	**1,722,168**	3,373,962
Hong Kong Dollars	**375,514**	227,321
Korean Won	**21,541**	69,822
Euro	**5,726**	1,539
Others	**24**	206
	2,206,987	3,764,766

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 is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**965,382**	1,602,678
Other payables and accruals (notes (a), (b))	**272,370**	527,664
	1,237,752	2,130,342

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

Notes:

(a) As at 31 December 2022, other payables and accruals mainly comprised provision for staff performance bonus, directors' profit sharing and accrued expenses.

(b) On 22 August 2016, a joint liquidator of Changtel Solutions UK Limited ("Changtel"), which is a customer of the Group, informed the Group that Changtel was wound up by the United Kingdom ("UK") Court on 28 January 2015 and alleged that the transactions between Changtel and the Group during Changtel's winding-up period from 7 June 2013 to 28 January 2015 ("Winding-up Period") are void pursuant to section 127 of UK Insolvency Act 1986. Based on this, the joint liquidator requested for a return of sales payments, which is the contractual payments for goods sold and delivered by the Group to Changtel during the Winding-up Period.

The Group was not aware of the winding up action against Changtel. The management has sought for legal opinion from a local independent lawyer. According to the legal opinion, such payment may be valid if validation order is granted by the court to the Group. However, the lawyer does not consider that any application for a validation order by the Group is likely to succeed. As such, the Group has made a provision of HK$6,456,000 (2021: HK$6,446,000) in respect of the abovementioned demand, of which HK$2,460,000 (2021: HK$2,456,000) is covered by insurance policy (note 23(c)).

The movement of provision for demand of repayment is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	**6,446**	6,409
Exchange difference	**10**	37
At 31 December	**6,456**	6,446

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26. TRADE AND OTHER PAYABLES (CONTINUED)

The ageing analysis of trade payables of the Group, based on invoice dates, as at the end of the year is as follows:

	2022 **HK$'000**	2021 HK$'000
Within 1 month	**528,216**	938,263
Over 1 month but within 3 months	**396,056**	605,733
Over 3 months but within 1 year	**37,163**	52,419
Over 1 year	**3,947**	6,263
	965,382	1,602,678

27. REFUND LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Refund liabilities	**83,794**	96,445

The refund liabilities relate to customer's right of return of defective products within the Warranty Period. At the point of sales, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the sales amount of returned goods.

28. CONTRACT LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Contract liabilities arising from:		
Sale of goods	**76,521**	209,564

28. CONTRACT LIABILITIES (CONTINUED)

Movements in contract liabilities

	2022 HK$'000	2021 HK$'000
At 1 January	**209,564**	76,150
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(178,995)**	(59,945)
Decrease in contract liabilities as a result of settlement of volume rebates and sales allowances during the year that was included in the contract liabilities at the beginning of the year	**(13,731)**	(8,199)
Increase in contract liabilities as a result of advance consideration received from customers during the year	**45,995**	188,312
Increase in contract liabilities as a result of volume rebates and sales allowances to customers during the year	**13,314**	11,467
Under provision of volume rebate in prior year	**175**	83
Exchange difference	**199**	1,696
At 31 December	**76,521**	209,564

29. BORROWINGS

	2022 HK$'000	2021 HK$'000
Bank loans — secured and guaranteed	**192,637**	—
Import loans — guaranteed	**1,546,096**	702,337
	1,738,733	702,337

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

	2022 Denominated in HK$ HK$'000	2022 Denominated in US$ HK$'000	2022 Total HK$'000	2021 Denominated in HK$ HK$'000	2021 Denominated in US$ HK$'000	2021 Total HK$'000
Bank loans — secured and guaranteed	**192,637**	**—**	**192,637**	—	—	—
Import loans — guaranteed	**901,954**	**644,142**	**1,546,096**	—	702,337	702,337
	1,094,591	**644,142**	**1,738,733**	—	702,337	702,337

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29. BORROWINGS (CONTINUED)

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

	2022 HK$'000	2021 HK$'000
Within 1 year	**1,553,853**	702,337
Over 1 year but within 2 years	**7,757**	—
Over 2 years but within 5 years	**177,123**	—
	1,738,733	702,337

(i) At 31 December 2022, the above borrowings bear interest at effective interest rates ranging from 0.8% to 2.5% (2021: 1.0% to 1.9%) per annum over cost of funds for the year.

(ii) At 31 December 2022, leasehold land and building with aggregate carrying value of approximately HK$369,790,000 was pledged to a bank to secure the mortgage loan of HK$192,637,000 granted to the Group.

(iii) At 31 December 2022, bank deposits of HK$336,000 (2021: HK$335,000) were pledged to a bank to secure the corporate credit card granted to the Group.

(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.

30. PROVISION FOR PRODUCT WARRANTIES

	2022 HK$'000	2021 HK$'000
Provision for product warranties		
At 1 January	**61,118**	31,447
(Reversal of)/additional provision	**(12,455)**	47,374
Utilisation	**(9,227)**	(17,703)
Net movement for the year	**(21,682)**	29,671
At 31 December	**39,436**	61,118

Under the terms of certain sales agreements of the Group, the Group will rectify any product defects arising within Warranty Period. Provision is therefore made for the best estimate of the expected settlement of warranty under such sales agreements. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable.

31. LEASES

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions where it operates. The terms of property leases vary from jurisdictions, although they all tend to be tenant repairing with rent reviews every 1 to 10 years and many have break clauses. The Group also leases certain items of office and testing equipment and motor vehicles. All leases comprise only fixed payments over the lease terms.

Lease liabilities

	Land and buildings HK$'000	Office and testing equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2021	141,081	659	205	141,945
Additions	—	137	—	137
Interest expense	5,225	16	1	5,242
Disposal	—	(27)	—	(27)
Effect of modification to lease terms	7,748	—	—	7,748
Lease payments	(33,751)	(175)	(202)	(34,128)
Foreign exchange movements	360	—	(4)	356
At 31 December 2021 and 1 January 2022	**120,663**	**610**	**—**	**121,273**
Additions	**32,653**	**—**	**1,415**	**34,068**
Interest expense	**4,597**	**13**	**26**	**4,636**
Disposal	**(11,844)**	**—**	**—**	**(11,844)**
Effect of modification to lease terms	**16,442**	**—**	**—**	**16,442**
Lease payments	**(34,737)**	**(182)**	**(217)**	**(35,136)**
Foreign exchange movements	**(1,395)**	**—**	**14**	**(1,381)**
At 31 December 2022	**126,379**	**441**	**1,238**	**128,058**

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31. LEASES (CONTINUED)

Lease liabilities (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 December 2022 HK$'000	Interest 31 December 2022 HK$'000	Present value 31 December 2022 HK$'000
Not later than 1 year	**35,504**	**4,640**	**30,864**
Later than 1 year and not later than 2 years	**33,075**	**3,510**	**29,565**
Later than 2 years and not later than 5 years	**71,678**	**4,049**	**67,629**
	140,257	**12,199**	**128,058**

	Minimum lease payments 31 December 2021 HK$'000	Interest 31 December 2021 HK$'000	Present value 31 December 2021 HK$'000
Not later than 1 year	30,596	4,547	26,049
Later than 1 year and not later than 2 years	25,754	3,587	22,167
Later than 2 years and not later than 5 years	63,839	5,551	58,288
Later than 5 years	15,030	261	14,769
	135,219	13,946	121,273

The present value of future lease payments are analysed as:

	2022 HK$'000	2021 HK$'000
Current liabilities	**30,864**	26,049
Non-current liabilities	**97,194**	95,224
	128,058	121,273

31. LEASES (CONTINUED)

Disclosures under HKFRS 16

	2022 HK$'000	2021 HK$'000
Short term lease expense	**2,991**	3,477
Low value lease expense	**20**	22
Aggregate undiscounted commitments for short term leases	**5,686**	874

Operating leases — lessor

The Group leases out a number of items of machinery under operating leases in 2021. The leases typically run for an initial period of 3 years, with an option to renew the lease upon expiry at which time all terms are renegotiated.

The rental income during the year ended 31 December 2022 was HK$Nil (2021: HK$37,731,000). During the year ended 31 December 2021, the operating leases for machinery were early terminated since the Group sold the machinery leased out under operating leases to the lessees.

32. SHARE CAPITAL

	2022 Number of shares	2022 Amount HK$'000	2021 Number of shares	2021 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At beginning of year	**387,383,668**	**38,738**	372,093,668	37,209
Share options exercised	**300,000**	**30**	15,290,000	1,529
At end of year	**387,683,668**	**38,768**	387,383,668	38,738

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33. SHARE-BASED PAYMENT

A share option scheme (the "2016 Share Option Scheme") was adopted by the Company on 17 June 2016. The primary purpose of the 2016 Share Option Scheme is to provide incentives or rewards to eligible participants.

2016 Share Option Scheme

a) Purpose of the 2016 Share Option Scheme

The purpose of the 2016 Share Option Scheme is to enable the Company to grant share options ("Options") to participants as incentives or rewards for their retention and contribution or potential contribution to the Group.

b) Participants of the 2016 Share Option Scheme

The Board may, at its absolute discretion, invite any employees, proposed employees, directors, advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group, and any company wholly owned by one or more persons belonging to any of the above classes of participants to take up Options to subscribe for shares.

c) Maximum number of Shares available for subscription

The maximum number of shares in respect of which options may be granted under the 2016 Share Option Scheme is 41,751,866 shares, representing 10% of issued share capital of the Company as at the date of adoption of the 2016 Share Option Scheme.

d) Total Maximum Entitlement of each Eligible Participant

The total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

e) Duration of the 2016 Share Option Scheme

The 2016 Share Option Scheme shall be valid and effective for a period of 10 years from the effective date.

f) Option Period

Unless otherwise determined by the Board at their absolute discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an Option can be exercised.

33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (continued)

g) Payment of Acceptance of an Option

The offer of a grant of share options under the 2016 Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee.

h) Subscription Price

The subscription price in respect of any particular option shall be, such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the Option) but in any case the subscription price must be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share. Without prejudice to the generality of the foregoing, the Board may grant options in respect of which the subscription price is fixed at different prices for certain periods during the option period.

The fair values for total share options granted to directors, employees and external consultant amounted to HK$2,945,000 and HK$6,267,000 respectively and were calculated using the Binomial Option Pricing Model. The weighted average remaining contractual life of the share options outstanding at 31 December 2022 is 0.25 year (2021: 1.25 years).

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33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (continued)

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

					2022 Number of option shares						
	Date of grant	Exercise price per share HK$	Exercise period	Vesting period	Outstanding at 1 January 2022 '000	Granted during the year (note 1) '000	Exercised during the year '000	Cancelled during the year '000	Lapsed during the year '000	Outstanding at 31 December 2022 '000	Exercisable at 31 December 2022 '000
Directors											
Mr. WONG Shik Ho Tony	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. WONG Fong Pak	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. LEUNG Wah Kan	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. MAN Wai Hung	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. HO Nai Nap	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mrs. HO WONG Mary Mee-Tak	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. LAI Kin Jerome	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Mr. IP Shing Hing	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	200	–	–	–	–	200	200
Mr. CHEUNG Ying Sheung	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Sub-total	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	200	–	–	–	–	200	200
Employees	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	390	–	(300)	–	–	90	90
External consultant (note 2)	22 September 2020	1.61	1 April 2021–31 March 2023	N/A	–	–	–	–	–	–	–
Total					590	–	(300)	–	–	290	290

33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (continued)

	Date of grant	Exercise price per share HK$	Exercise period	Vesting period	2021 Number of option shares Outstanding at 1 January 2021 '000	Granted during the year (note 1) '000	Exercised during the year '000	Cancelled during the year '000	Lapsed during the year '000	Outstanding at 31 December 2021 '000	Exercisable at 31 December 2021 '000
Directors											
Mr. WONG Shik Ho Tony	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	1,000	–	(1,000)	–	–	–	–
Mr. WONG Fong Pak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	1,000	–	(1,000)	–	–	–	–
Mr. LEUNG Wah Kan	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	1,000	–	(1,000)	–	–	–	–
Mr. MAN Wai Hung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	1,000	–	(1,000)	–	–	–	–
Mr. HO Nai Nap	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	1,000	–	(1,000)	–	–	–	–
Mrs. HO WONG Mary Mee-Tak	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	(200)	–	–	–	–
Mr. LAI Kin Jerome	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	(200)	–	–	–	–
Mr. IP Shing Hing	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	–	–	–	200	200
Mr. CHEUNG Ying Sheung	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	200	–	(200)	–	–	–	–
Sub-total	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	5,800	–	(5,600)	–	–	200	200
Employees	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	10,030	–	(9,640)	–	–	390	390
External consultant (note 2)	22 September 2020	1.61	1 April 2021– 31 March 2023	N/A	50	–	(50)	–	–	–	–
Total					15,880	–	(15,290)	–	–	590	590

Notes:

1. The closing price per share as quoted on the Stock Exchange on 21 September 2020, being the date immediately before the date of grant of the options described in the table above, is HK$1.61.

2. The external consultant is Ms. LEUNG Sau Fong, Ms. LEUNG was the secretary of the Company before tendering her resignation with effect from 1 September 2021. The share options were granted to her as rewards for her contribution to the Group.

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33. SHARE-BASED PAYMENT (CONTINUED)

2016 Share Option Scheme (continued)

The inputs into the model were as follows:

	"2016 Share Option Scheme" Employees, external consultant and directors As at 22 September 2020
Weighted average share price	1.61
Weighted average exercise price	1.61
Expected volatility	73.29%
Expected life	2.52 years
Risk-free interest rate	0.139%
Early exercise behaviour	220% to 280%
Expected dividend yield	5.83%

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.

Expected dividend yield is based on historical dividend yield.

The options under the "2016 Share Option Scheme" were expected to be exercised when the share price of the underlying security of the options rises ranging from 220% to 280% of the exercise price.

Changes in the subjective input assumptions could materially affect the fair value estimate.

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. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents comprise:

	2022 HK$'000	2021 HK$'000
Cash available on demand	**2,206,987**	3,764,766

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (note 29) HK$'000	Lease liabilities (note 31) HK$'000
At 1 January 2022	702,337	121,273
Proceeds of bank loans	193,930	—
Repayment of bank loans	(1,293)	—
Repayment of lease liabilities	—	(30,500)
Repayment of import loans	(2,887,326)	—
Total changes from financing cash flows:	(2,694,689)	(30,500)
Other changes:		
Decrease in trade payables	3,737,536	—
Addition	—	34,068
Effect of modification to lease terms	—	16,442
Disposal	—	(11,844)
Exchange difference	(6,451)	(1,381)
Total other changes	3,731,085	37,285
At 31 December 2022	1,738,733	128,058

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34. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	Borrowings (note 29) HK$'000	Lease liabilities (note 31) HK$'000
At 1 January 2021	1,070,038	141,945
Repayment of bank loans	(53,002)	—
Repayment of lease liabilities	—	(28,886)
Repayment of import loans	(3,889,146)	—
Total changes from financing cash flows:	(3,942,148)	(28,886)
Other changes:		
Decrease in trade payables	3,571,686	—
Addition	—	137
Effect of modification to lease terms	—	7,748
Disposal	—	(27)
Exchange difference	2,761	356
Total other changes	3,574,447	8,214
At 31 December 2021	702,337	121,273

35. CAPITAL COMMITMENTS

At 31 December 2022 and 2021, the Group had the following capital commitments contracted for but not provided in respect of:

	2022 HK$'000	2021 HK$'000
Acquisition of property, plant and equipment	**3,753**	10,133

36. RELATED PARTIES AND CONNECTED TRANSACTIONS

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

	2022 HK$'000	2021 HK$'000
(i) Related parties and connected transactions		
Related company owned by a director of the Company		
— rental expense	**840**	840
Director of a subsidiary		
— rental expense	**276**	272
(ii) Connected transactions		
Connected person of the Company		
— sales	**–**	40,026

Rental expenses were charged according to the agreements.

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

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

The related parties transactions in respect of rental expenses above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1) of the Listing Rules.

The connected transactions in respect of sales of VGA cards to connected person of the Company constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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37. CAPITAL MANAGEMENT

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 29 and the lease liabilities disclosed in note 31 and equity of the Group, comprising share capital, reserves and retained profits disclosed in consolidated statement of changes in equity. Management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

The Group has a target gearing ratio of below 100% determined as the proportion of net debts (debts less cash and bank balances) to equity.

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

	2022 HK$'000	2021 HK$'000
Debts	1,866,791	823,610
Cash and bank balances	(2,207,323)	(3,765,101)
Net debts	Nil	Nil
Total equity	2,851,145	3,090,342
Net debt to equity ratio	Nil	Nil

38. 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. For receivables with balances that are more than 3 months' overdue, further credit will only be granted under management's approval, otherwise, the customers are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers except for those mentioned below, however the Group has arranged credit insurance coverage for certain customers.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

As at 31 December 2022, the Group has a certain concentration of credit risk as 3.6% (2021: 8.3%) and 21.9% (2021: 26.2%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

Measurement of expected credit loss on individual basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on individual basis as at 31 December 2022:

	Expected loss rate %	**Gross carrying amount HK$'000**	**Expected credit loss HK$'000**
Over 1 month but within 3 months past due	**–**	**34,631**	**–**
Over 3 months but within 1 year past due	**78.230%**	**243,377**	**190,393**
Over 1 year past due	**97.429%**	**115,520**	**112,550**
		393,528	**302,943**

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on individual basis as at 31 December 2021:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Not past due	90.234%	228,208	205,921
Within 1 month past due	21.852%	104,394	22,812
Over 1 month but within 3 months past due	93.977%	48,361	45,448
Over 3 months but within 1 year past due	100.000%	53,470	53,470
		434,433	327,651

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on collective basis as at 31 December 2022:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Not past due	0.004%	924,886	33
Within 1 month past due	0.042%	113,420	48
Over 1 month but within 3 months past due	0.288%	20,153	58
Over 3 months but within 1 year past due	1.218%	5,665	69
Over 1 year past due	89.350%	12,084	10,797
		1,076,208	11,005

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables assessed on collective basis as at 31 December 2021:

	Expected loss rate %	Gross carrying amount HK$'000	Expected credit loss HK$'000
Not past due	0.011%	939,643	105
Within 1 month past due	0.797%	157,874	1,259
Over 1 month but within 3 months past due	8.528%	8,185	698
Over 3 months but within 1 year past due	39.563%	8,465	3,349
Over 1 year past due	98.732%	5,126	5,061
		1,119,293	10,472

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Measurement of expected credit loss on collective basis (continued)

As at 31 December 2022, the Group held pledges of landed properties for certain of these balances amounted to HK$3,043,000 (2021: HK$3,212,000) while the fair value of pledged landed properties amounted to HK$3,855,000 (2021: HK$4,169,000). The Group does not have the right to sell or re-pledge the properties held as collateral in the absence of default by customers.

Movement in the loss allowance account in respect of trade receivables at amortised cost during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	338,123	9,924
Impairment losses recognised during the year	533	320,410
Exchange difference	(24,708)	7,789
At 31 December	313,948	338,123

The credit risk on cash and bank balances and derivative financial assets are limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies.

Other receivables measured at amortised cost are subject to the ECLs model and the loss allowances are limited to 12-month ECLs as there has not been a significant increase in credit risk since initial recognition. The ECLs of other receivables as at 31 December 2022 were determined to be immaterial.

The loss allowance for deposits and prepayments are based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

Movement in the loss allowance account in respect of deposits and prepayments during the year is as follows:

	2022 HK$'000	2021 HK$'000
At 1 January	5,559	4,247
Impairment losses recognised during the year	–	1,302
Exchange difference	–	10
At 31 December	5,559	5,559

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 borrowings with a repayment on demand clause 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$'000	Total contractual undiscounted cash flows HK$'000	On demand or within 1 year HK$'000	Over 1 year but within 2 years HK$'000	More than 2 years within 5 years HK$'000
At 31 December 2022					
Trade and other payables	**1,237,752**	**1,237,752**	**1,237,752**	**–**	**–**
Borrowings	**1,738,733**	**1,738,733**	**1,738,733**	**–**	**–**
Lease liabilities	**128,058**	**140,257**	**35,504**	**33,075**	**71,678**
Total	**3,104,543**	**3,116,742**	**3,011,989**	**33,075**	**71,678**
At 31 December 2021					
Trade and other payables	2,130,342	2,130,342	2,130,342	–	–
Borrowings	702,337	702,337	702,337	–	–
Lease liabilities	121,273	135,219	30,596	25,754	78,869
Total	2,953,952	2,967,898	2,863,275	25,754	78,869

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The below table summarises the maturity analysis of bank borrowings 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 borrowings will be repaid in accordance with the scheduled repayment dates.

	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year HK$'000	Over 1 year but within 2 years HK$'000	More than 2 years but within 5 years HK$'000
31 December 2022	**1,738,733**	**1,781,189**	**1,575,886**	**13,441**	**191,862**
31 December 2021	702,337	704,241	704,241	—	—

(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.

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

	2022		2021	
	Effective interest rate (per annum)	**HK$'000**	Effective interest rate (per annum)	HK$'000
Variable rate borrowings:				
Bank loans	**3.13%**	**192,637**	—%	—
Import loans	**5.37%**	**1,546,096**	1.33%	702,337
		1,738,733		702,337
Fixed rate borrowings:				
Lease liabilities	**4.14%**	**128,058**	4.01%	121,273

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38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

At 31 December 2022, 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 year ended 31 December 2022 by approximately HK$7,259,000 (2021: HK$2,932,000) respectively.

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 as 2021.

(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 are primarily Renminbi and Euro.

The following table details the Group's exposure at 31 December 2022 and 2021 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.

	2022 Renminbi HK$'000	2021 Renminbi HK$'000	**2022 Euro HK$'000**	2021 Euro HK$'000
Trade and other receivables	**83,342**	105,223	**125**	132
Cash and bank balances	**4,208**	1,274	**4,460**	1,333
Trade and other payables	**(23,577)**	(25,507)	**(2,576)**	(1,970)
Lease liabilities	**(878)**	(1,769)	**—**	—
Overall net exposure	**63,095**	79,221	**2,009**	(505)

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Currency risk (continued)

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$ weakens against the relevant currency. For a strengthening 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.

	Increase in foreign exchange rates	Effect on profit after income tax HK$'000
As at 31 December 2022		
Renminbi	**5%**	**2,634**
Euro	**5%**	**84**
As at 31 December 2021		
Renminbi	5%	3,307
Euro	5%	(21)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate 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 rate over the periods until the next annual reporting date. 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 2021.

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39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2022 Carrying amount HK$'000	2021 Carrying amount HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Trade receivables at fair value through profit or loss	**28,918**	26,032
Financial assets at amortised cost		
— Cash and bank balances	**2,207,323**	3,765,101
— Trade and other receivables	**1,219,472**	1,266,948
Financial assets at fair value through other comprehensive income		
— Unlisted equity investment	**1,268**	3,517
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	**1,233,030**	2,123,510
— Refund liabilities (note (a)(a))	**83,794**	96,445
— Contract liabilities (note (a)(b))	**13,577**	13,831
— Borrowings	**1,738,733**	702,337
— Lease liabilities	**128,058**	121,273

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. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

	Group 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	**—**	**28,918**	**—**	**28,918**
Financial assets at fair value through other comprehensive income				
— Unlisted equity investment	**—**	**—**	**1,268**	**1,268**
	—	**28,918**	**1,268**	**30,186**

	Group 2021			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss				
— Trade receivables at fair value through profit or loss	—	26,032	—	26,032
Financial assets at fair value through other comprehensive income				
— Unlisted equity investment	—	—	3,517	3,517
	—	26,032	3,517	29,549

There were no transfers between levels during the year.

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39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

Reconciliation for financial instrument carried at fair value based on significant unobservable inputs (Level 3) are as follows:

Unlisted equity investment	**Financial asset at FVTOCI**	
	2022 HK$'000	2021 HK$'000
At 1 January	**3,517**	7,518
Total gains or losses:		
— in other comprehensive income (included in changes in fair value of financial assets at FVTOCI)	**(2,249)**	(4,001)
At 31 December	**1,268**	3,517

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

Due to their short term nature, the carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate to their fair values.

Notes:

(a) Refund liabilities represent the estimated cash refund resulting from goods returned from customers during the Warranty Period.

(b) Contract liabilities included in above represent the estimated volume rebate to be settled in cash to customers. Contract liabilities of HK$62,944,000 (2021: HK$195,733,000) relating to receipt in advance from customers are not financial liabilities and excluded from above.

39. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 2 fair value measurements

The fair value of trade receivables at fair value through profit or loss is determined based on the weighted-average discount rates applicable to trade receivables factored without recourse during the year.

Information about level 3 fair value measurements

As at 31 December 2022, the fair value of the unlisted equity investment in Dreamscape Immersive Inc. is estimated by using the market approach and option pricing model based on the enterprise value to sales ratios of comparable companies. The valuation technique adopts expected enterprise value to sales ratio of 4.51 (2021: 5.11), volatility of 43.42% (2021: 55.82%) and risk-free rate of 4.42% (2021: 0.96%) as key unobservable inputs.

As at 31 December 2022, the fair value measurement is positively correlated to the enterprise value to sales ratio. It is estimated that with all other variables held constant, an increase/decrease in enterprise value to sales ratio by 1 would have increased/decreased the Group’s other comprehensive income by approximately HK$435,000 and HK$366,000 respectively.

The Group considers that changes in the volatility and risk-free rate to the valuation technique disclosed above would not have a significant effect on fair value of the unlisted equity investment as at 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

40. PARTICULARS OF SUBSIDIARIES

As at 31 December 2022, 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/ registered capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
PC Partner Holdings Limited	BVI 2 May 1997	Hong Kong	US$4,264,757	100%	–	Investment holding
Ask Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Innovision Multimedia Limited	Hong Kong 6 February 1998	Hong Kong	HK$10,000	–	100%	Trading of computer accessories
Manli Technology Group Limited	Hong Kong 10 March 2008	Hong Kong	HK$10,000	–	100%	Trading of computer accessories and computers
Zotac Holdings Limited	BVI 10 July 2003	Hong Kong	US$20,000,000	–	100%	Investment holding
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 Macau 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%	Wholesale of computers, computer peripheral equipment and software
Zotac USA Inc. (Nevada)	U.S.A. 9 October 2007	U.S.A.	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$21,600,000 (note ii)	–	100%	Subcontracting of computer accessories and computers
索泰 (東莞) 電子科技有限公司 (note i)	PRC 20 June 2016	PRC	RMB600,000	–	100%	Trading of computer accessories and computers

40. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment	Place of operations	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held		Principal activities
				Directly	Indirectly	
Zotac Europe GmbH	Germany 25 September 2012	Germany	EUR25,000	–	100%	Provision of technical support services
PC Partner Wealth Investment Limited	Hong Kong 12 August 2013	Hong Kong	HK$20,000,000	–	100%	Investment holding
PC Partner Services Limited	Hong Kong 16 June 2021	Hong Kong	HK$10,000	–	100%	Provision of company secretarial services
PC Partner Investment Limited	BVI 21 December 2021	Hong Kong	US$50,000	–	100%	Investment holding
PC Partner Properties Limited	Hong Kong 30 December 2021	Hong Kong	HK$10,000	–	100%	Property holding
VRSense Solutions Limited	BVI 14 September 2016	Hong Kong	US$2,000,000	–	100%	Investment holding
Excelsior Technology Limited	BVI 18 July 1997	Hong Kong	US$1	–	100%	Investment holding
Zotac Technology Limited	Hong Kong 20 July 2005	Hong Kong	HK$150,000,000	–	100%	Trading of computer accessories and computers
卓能 (東莞) 數碼技術有限公司 (note i)	PRC 11 December 2017	PRC	RMB1,000,000	–	100%	Trading of computer accessories and computers
Zotac International Limited	Hong Kong 30 October 2017	Hong Kong	HK$1,000,000	–	100%	Holding of intellectual properties
Zotac Nippon Corporation	Japan 18 December 2017	Japan	JPY50,000,000	–	80%	Trading of computer accessories and computers

Notes:

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

(ii) As at 31 December 2022, the registered capital of US$21,298,265 was paid up and the remaining registered capital is not yet paid up to the date of this Annual Report.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	2022 HK$'000	2021 HK$'000
Non-current assets		
Investment in a subsidiary	538,467	538,467
Current assets		
Prepayments and other receivables	151	359
Amounts due from subsidiaries	494,874	468,146
Cash and cash equivalents	76,345	14,239
Total current assets	571,370	482,744
Current liabilities		
Accruals	60,581	282,432
Total current liabilities	60,581	282,432
Net current assets	510,789	200,312
NET ASSETS	1,049,256	738,779
Capital and reserves		
Share capital	38,768	38,738
Reserves (note)	1,010,488	700,041
TOTAL EQUITY	1,049,256	738,779

On behalf of the Board

WONG Shik Ho Tony
Director

WONG Fong Pak
Director

41. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

Note:

Movements of the reserves of the Company are as follows:

	Share premium HK$'000	Other reserve (note) HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	165,033	495,778	4,871	7,819	673,501
Profit for the year	—	—	—	409,378	409,378
Dividends paid (note 14)	—	—	—	(410,267)	(410,267)
Shares issued under share option scheme	31,960	—	(8,872)	—	23,088
Equity settled share-based transactions (note 33)	—	—	4,341	—	4,341
At 31 December 2021 and 1 January 2022	**196,993**	**495,778**	**340**	**6,930**	**700,041**
Profit for the year	**—**	**—**	**—**	**1,244,312**	**1,244,312**
Dividends paid (note 14)	**—**	**—**	**—**	**(934,318)**	**(934,318)**
Shares issued under share option scheme	**626**	**—**	**(173)**	**—**	**453**
At 31 December 2022	**197,619**	**495,778**	**167**	**316,924**	**1,010,488**

Note: Other reserve of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the Reorganisation underwent in December 2011.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

PROPERTY INTERESTS HELD BY THE GROUP

Description	Group interest	Use	Tenure
2396 Bateman Avenue, Irwindale, California, U.S.A.	100%	For workshop and ancillary office purposes	Medium-term lease
28/F., NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong	100%	For the head office of the Group	Medium-term lease
Car Parking Spaces Nos. B2-P96, B2-P97, B2-P98, B2-P103, B2-P104, on Basement 2 Floor and B3-P4, B3-P5, B3-P6, B3-P7, B3-P8, B3-P9, B3-P10, B3-P76, B3-P77, B3-P78, B3-P79, B3-P80, B3-P81, B3-P82, B3-P83 on Basement 3 Floor of NCB Innovation Centre, 888 Lai Chi Kok Road, Kowloon, Hong Kong	100%	For senior management staff and certain other authorised employees of the Group	Medium-term lease