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PC PARTNER GROUP LIMITED
栢能集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1263)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Period ended 30 June		
	2023	2022	Change
	HK$ million	*HK$ million*	
Revenue	**4,175.4**	6,607.8	−36.8%
Gross profit	**323.7**	1,365.8	−76.3%
Gross profit%	**7.8%**	20.7%	−62.3%
Profit for the period attributable to owners of the Company	**20.1**	802.1	−97.5%
Net profit%	**0.5%**	12.1%	−95.9%

The board of directors (the "Board") of PC Partner Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Notes	**30 June 2023** *HK$'000* **(Unaudited)**	30 June 2022 *HK$'000* (Unaudited)
Revenue	4, 5	**4,175,441**	6,607,825
Cost of sales		**(3,851,689)**	(5,242,009)
Gross profit		**323,752**	1,365,816
Other revenue and other gains and losses	6	**12,793**	(5,044)
Selling and distribution expenses		**(60,336)**	(47,803)
Administrative expenses		**(210,298)**	(299,937)
Impairment loss on financial assets		**(1,033)**	(1,039)
Finance costs	7	**(35,163)**	(9,387)
Share of loss of a joint venture		**—**	(40,513)
Profit before income tax	8	**29,715**	962,093
Income tax	9	**(10,540)**	(160,217)
Profit for the period		**19,175**	801,876
Other comprehensive income, after tax			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		**(3,513)**	(7,156)
Total comprehensive income for the period		**15,662**	794,720

	Notes	**30 June 2023** **HK$'000** **(Unaudited)**	30 June 2022 *HK$'000* (Unaudited)
Profit for the period attributable to:			
— Owners of the Company		**20,102**	802,129
— Non-controlling interests		**(927)**	(253)
		19,175	801,876
Total comprehensive income for the period attributable to:			
— Owners of the Company		**16,589**	794,973
— Non-controlling interests		**(927)**	(253)
		15,662	794,720
		HK$	*HK$*
Earnings per share	11		
— Basic		**0.052**	2.070
— Diluted		**0.052**	2.068

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023**	31 December 2022
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		**585,580**	596,378
Right-of-use assets		**106,874**	121,766
Intangible assets		**4,825**	4,825
Other financial asset		**1,268**	1,268
Deferred tax assets		**4,522**	3,999
Trade and other receivables	12	**5,084**	5,383
Total non-current assets		**708,153**	733,619
Current assets			
Inventories		**1,152,108**	1,831,959
Trade and other receivables	12	**824,756**	1,260,597
Right of return assets		**48,442**	69,561
Tax recoverable		**89,966**	52,380
Cash and bank balances		**2,231,124**	2,207,323
Total current assets		**4,346,396**	5,421,820
Total assets		**5,054,549**	6,155,439
Current liabilities			
Trade and other payables	13	**1,063,042**	1,237,752
Refund liabilities		**61,353**	83,794
Contract liabilities		**56,449**	76,521
Borrowings		**954,586**	1,738,733
Provision for product warranties		**35,928**	39,436
Lease liabilities		**30,785**	30,864
Total current liabilities		**2,202,143**	3,207,100

	Notes	30 June 2023 HK$'000 (Unaudited)	31 December 2022 HK$'000 (Audited)
Net current assets		**2,144,253**	2,214,720
Total assets less current liabilities		**2,852,406**	2,948,339
Total non-current liabilities			
Lease liabilities		**82,248**	97,194
NET ASSETS		**2,770,158**	2,851,145
Capital and reserves			
Share capital		**38,788**	38,768
Reserves		**2,729,958**	2,810,038
Equity attributable to owners of the Company		**2,768,746**	2,848,806
Non-controlling interests		**1,412**	2,339
TOTAL EQUITY		**2,770,158**	2,851,145

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The accounting policies adopted for the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2022 (the "Annual Financial Statements"), except for the adoption of the revised Hong Kong Financial Reporting Standards (the "HKFRSs") (which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Amendments adopted from 1 January 2023

The HKICPA has issued a number of amended HKFRSs that were adopted by the Group effective from 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The above amended HKFRSs did not have any material impact on the Group's accounting policies.

(b) New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ('the Amendment Ordinance') was gazetted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ('MPF') to offset severance payment ('SP') and long service payments ('LSP') ('the Abolition'). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 ('the Transition Date').

The following key changes will take effect since the Transition Date:

— Accrued benefits derived from employers' MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

— The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of employer's MPF contributions and its LSP obligation and hence the impact arising from the Abolition, in July 2023 the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong' ('the Guidance') to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches, being:

— Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)

— Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

In prior years and in this 6-month interim period, the Group has estimated its LSP obligations along the defined benefit plan accounting requirements under HKAS 19 *Employee Benefits* whereas its obligations under MPF scheme are accounted for as defined contribution plan. The Group's estimated LSP obligation is reduced by the accrued MPF benefits derived from its contributions. The Guidance provides new information on the accounting for the interaction between the employer's MPF contributions and its LSP obligations. Based on the Group's assessment, it would need to change its accounting policy for the interaction to confirm with the guidance. The Group's management team is now collecting information and assessing the financial statements impacts under the above-mentioned two accounting approaches. At the time when these interim financial statements are authorised for issue, the management team is continuing the information collection and impacts assessment. Therefore the Group has not yet concluded the new accounting policy and the resultant impacts on its financial statements. No matter which of Approach 1 or Approach 2 is the Group's new accounting policy, the new accounting policy would be applied retrospectively in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group estimated that the new accounting policy would be concluded before the end of 2023 and the resultant impacts on financial statements would be reflected in the Group's 2023 annual financial statements.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this Interim Financial Statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Financial Statements.

4. 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.

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets, 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 period ended 30 June

	Design, manufacturing and trading of electronics and PC parts and accessories	
Primary geographical markets	**30 June 2023** ***HK$'000*** **(Unaudited)**	30 June 2022 *HK$'000* (Unaudited)
Asia Pacific ("APAC")	**1,438,821**	2,424,655
North and Latin America ("NALA")	**637,976**	1,409,659
People's Republic of China ("PRC")	**939,322**	1,181,135
Europe, Middle East, Africa and India ("EMEAI")	**1,159,322**	1,592,376
	4,175,441	6,607,825

Major products/services

	30 June 2023 ***HK$'000*** **(Unaudited)**	30 June 2022 *HK$'000* (Unaudited)
Video graphics cards ("VGA Cards")	**3,333,862**	5,781,524
Electronics manufacturing services ("EMS")	**358,903**	360,895
Other PC related products and components	**482,676**	465,406
	4,175,441	6,607,825

Brand and non-brand businesses

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Brand businesses	**2,842,550**	4,450,122
Non-brand businesses	**1,332,891**	2,157,703
	4,175,441	6,607,825

Timing of revenue recognition

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
At a point in time	**4,175,441**	6,607,825

(b) Information about the major customer

During the six months ended 30 June 2023 and 2022, none of the customers contributed 10% or more of the Group's revenue.

5. 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.

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contract liabilities	**56,449**	76,521

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK$43,846,000 of the contract liabilities as at 1 January 2023 and HK$162,053,000 of the contract liabilities as at 1 January 2022 have been recognised as revenue for the six months ended 30 June 2023 and 2022 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.

6. OTHER REVENUE AND OTHER GAINS AND LOSSES

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Government grants *(note)*	**870**	3,775
Interest income	**21,409**	1,818
Net exchange losses	**(13,407)**	(15,256)
Net fair value gains on derivative financial instruments	**312**	—
Gain on disposal of property, plant and equipment	**34**	379
Sundry income	**3,575**	4,240
	12,793	(5,044)

Note: Included in 2022 government grants is HK$2,832,000 obtained from 2022 Employment Support Scheme ("ESS") under the Anti-epidemic Fund launched by the Hong Kong SAR Government supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and retain current employees from May to July 2022. The Group does not have other unfulfilled obligations relating to this program. The remaining government grants of 2023 and 2022 were received from several PRC local government authorities on a discretionary basis before period end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognized.

7. FINANCE COSTS

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank advances and other borrowings	**32,730**	6,972
Interest on lease liabilities	**2,433**	2,415
	35,163	9,387

8. PROFIT BEFORE INCOME TAX

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

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Inventories recognised as expense	**3,820,312**	5,209,331
Provision for obsolete inventories	**31,377**	32,678
Cost of sales	**3,851,689**	5,242,009
Staff costs	**194,008**	316,581
Depreciation of property, plant and equipment	**39,066**	14,604
Depreciation of right-of-use assets	**16,034**	14,914
Impairment losses on financial assets	**1,033**	1,039
Short-term lease expenses	**134**	1,821
Low-value assets lease expenses	**12**	11
Property, plant and equipment written off	**1**	—
Provision/(reversal of provision) for product warranties and returns, net	**1,868**	(19,667)
Research and development expenditure *(note)*	**39,340**	29,016

Note: The research and development expenditure for the period 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.

9. INCOME TAX

The amount of income tax expense in the condensed consolidated statement of comprehensive income represents:

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax — Hong Kong		
— provision for the period	**10,912**	154,854
Current tax — PRC		
— provision for the period	**23**	791
— under provision in respect of prior year	**—**	83
Current tax — others		
— provision for the period	**80**	47
— under provision in respect of prior year	**48**	255
	11,063	156,030
Deferred tax		
— origination and reversal of temporary differences	**(523)**	4,187
Income tax expense	**10,540**	160,217

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.

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 six months ended 30 June 2023 and 2022, 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 six months ended 30 June 2023 is 15% (2022: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2022: 25%) on the assessable profits as determined in accordance with the relevant income tax rules and regulations of the PRC for the six months ended 30 June 2023.

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

10. DIVIDENDS

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2022 Final dividend declared — HK$Nil per share (2022: 2021 Final dividend declared — HK$1.61 per share)	**—**	624,171
2022 Special dividend declared — HK$0.25 per share (2022: 2021 Special dividend declared — HK$Nil per share)	**96,971**	—
Dividends declared for the period	**96,971**	624,171

The directors of the Company proposed an interim dividend of HK$0.10 (2022: HK$0.80) per share, totalling HK$38,788,000 (2022: HK$310,147,000) for the six months ended 30 June 2023. The interim dividend has not been recognised as liabilities at 30 June 2023.

Note: 2022 special dividend was subsequently paid on 10 July 2023.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2023 and 2022 is based on the following data:

Profit

	30 June 2023	30 June 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**20,102**	802,129

Number of shares

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**387,816,265**	387,433,944
Effect of dilutive potential ordinary shares:		
— share options	**—**	455,878
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**387,816,265**	387,889,822

12. TRADE AND OTHER RECEIVABLES

	30 June 2023 ***HK$'000*** **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Trade receivables at amortised cost	**1,039,520**	1,469,736
Less: Accumulated impairment losses	**(301,555)**	(313,948)
Trade receivables at amortised cost, net	**737,965**	1,155,788
Trade receivables at fair value through profit or loss	**23,693**	28,918
Other receivables	**13,076**	12,785
Deposits and prepayments	**60,665**	74,048
Less: Accumulated impairment losses	**(5,559)**	(5,559)
	55,106	68,489
	829,840	1,265,980
Less: Other receivables — non-current portion	**(409)**	(409)
Rental deposits — non-current portion	**(4,675)**	(4,974)
	(5,084)	(5,383)
Trade and other receivables — current portion	**824,756**	1,260,597

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 reporting period is as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**448,502**	751,228
Over 1 month but within 3 months	**213,387**	289,707
Over 3 months but within 1 year	**69,935**	110,108
Over 1 year	**6,141**	4,745
	737,965	1,155,788

The credit period on sales of goods is 14 to 90 days (2022: 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 invoice dates, as at the end of reporting period is as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**13,172**	14,064
Over 1 month but within 3 months	**10,521**	14,704
Over 3 months but within 1 year	**—**	150
	23,693	28,918

13. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**798,621**	965,382
Other payables and accruals	**264,421**	272,370
	1,063,042	1,237,752

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

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

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**522,396**	528,216
Over 1 month but within 3 months	**232,409**	396,056
Over 3 months but within 1 year	**39,643**	37,163
Over 1 year	**4,173**	3,947
	798,621	965,382

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK$0.10 per share, totalling HK$38.8 million for the six months ended 30 June 2023 (2022: HK$0.80 per share, totaling HK$310.1 million) to be paid on or about 6 October 2023 (Friday) to shareholders whose names appear on the Company's register of members on 20 September 2023 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 September 2023 (Monday) to 20 September 2023 (Wednesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 15 September 2023 (Friday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the design, manufacturing and trading of VGA Cards for desktop computer, EMS and manufacturing and trading in other 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 period under review.

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.

Business Performance

Revenue has recorded a decrease of HK$2,432.4 million, or 36.8%, from HK$6,607.8 million in the first half of 2022 to HK$4,175.4 million in the first half of 2023. Business performance deteriorated quickly which was largely affected by various geopolitical and economic factors that have discouraged consumer spending and corporate investment since the second half of 2022.

VGA Cards business has recorded a decrease of HK$2,447.6 million, or 42.3%, from HK$5,781.5 million in the first half of 2022 to HK$3,333.9 million in the first half of 2023. Sales of own brand VGA Cards decreased by HK$1,592.8 million, or 36.5%, from HK$4,363.6 million in the first half of 2022 to HK$2,770.8 million in the first half of 2023. Strong U.S. dollar together with high interest rate continued to discourage gamers spending on new VGA Cards. In addition, the Group has also adopted a more conservative practice to reduce purchases especially of the last generation GPUs which would cause a decline in sales revenue during the period under review. Average selling price ("ASP") of own brand VGA Cards decreased by 7.7% from the first half of 2022 to the first half of 2023. The decline of ASP was mainly associated with a change of product mix together with price promotion to stimulate sales and discounts offered to clear the last generation products in the first half of 2023.

Sales of ODM/OEM VGA Cards decreased by HK$854.8 million, or 60.3%, from HK$1,417.9 million in the first half of 2022 to HK$563.1 million in the first half of 2023. The decline of ODM/OEM orders of VGA Cards was also largely caused by an unstable geopolitical and economic environment which discouraged both consumer spending and corporate investment. Many ODM/OEM customers had cancelled or postponed projects due to a deteriorating economy with a continuous decline of PC shipment over the past few quarters.

EMS business has recorded a decrease of HK$2.0 million, or 0.6%, from HK$360.9 million in the first half of 2022 to HK$358.9 million in the first half of 2023. Additional orders contributed by new customers had offset sales downtrend of existing customers during the period under review. Sales of other PC related products and components business increased by HK$17.2 million, or 3.7%, from HK$465.4 million in the first half of 2022 to HK$482.6 million in the first half of 2023. The change was mainly associated with increase in component trade which offset a downtrend of sales of computers during the period under review.

Revenue of brand business decreased by HK$1,607.6 million, or 36.1%, from HK$4,450.1 million in the first half of 2022 to HK$2,842.5 million in the first half of 2023. Performance of brand business was highly associated with consumer confidence and spending which was largely affected by a mixture of high inflation and aggressive monetary policies as well as the long lasting war in Ukraine. The Group has adopted a more conservative approach to minimize the inventory risk on GPU intakes especially of the last generation product lines.

The ODM/OEM business which includes component trade has recorded a decrease in revenue of HK$824.8 million, or 38.2%, from HK$2,157.7 million in the first half of 2022 to HK$1,332.9 million in the first half of 2023. The decline was mainly associated with the weak demand of ODM/OEM VGA segment which was also largely caused by an unstable geopolitical and economic environment that has discouraged both consumer spending and corporate investment. It was mainly associated with the weak demand of ODM/OEM basis VGA Cards due to a deteriorating economy with a continuous decline of PC shipment over the past few quarters.

Regional business performance was very much associated with geopolitical issue, governmental policy, and the economy of different regions and countries. In general, all regions had experienced a significant sales decline from 20.5% to 54.7% in the first half of 2023 as compared to the same period in last year.

APAC Region

In the APAC region, revenue decreased by HK$985.9 million, or 40.7%, from HK$2,424.7 million in the first half of 2022 to HK$1,438.8 million in the first half of 2023. It was mainly due to less orders on ODM/OEM basis VGA Cards as a result of weak demand of PC. In addition, depreciation of most Asian currencies such as Japanese Yen and Korean Won had weakened consumer purchasing power in the regions so that the sales of brand products declined during the period under review.

NALA Region

In the NALA region, revenue amounted to HK$638.0 million in the first half of 2023, representing a decrease of HK$771.6 million, or 54.7%, as compared to HK$1,409.6 million in the first half of 2022. The change was mainly due to a lower sales volume in U.S., high inflation and aggressive monetary policies has discouraged consumer demand and corporate spending which has resulted in a decline in sales of brand business. In addition, depreciation of currencies in Latin America had also weakened consumer purchasing power during the period under review.

PRC Region

In the PRC region, revenue amounted to HK$939.3 million in the first half of 2023, representing a decrease of HK$241.8 million, or 20.5%, as compared to HK$1,181.1 million in the first half of 2022. Even though China lifted the COVID restrictions, economic recovery was slow and depreciation of Chinese Yuan both had discouraged consumer spending in the region during the period under review.

EMEAI Region

In the EMEAI region, revenue amounted to HK$1,159.3 million in the first half of 2023, representing a decrease of HK$433.1 million, or 27.2%, as compared to HK$1,592.4 million in the first half of 2022. High inflation and aggressive monetary policies has discouraged consumer demand and corporate spending which has resulted in a decline in sales revenue in the region. In addition, the war in Ukraine has caused sanctions of export products to Russia which has also affected the regional business performance during the period under review.

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.

The Group is not aware of any other particular or important event that has occurred which would trigger a risk and uncertainty as at 30 June 2023.

Outlook

Although there was an improvement on gross profit margin as compared to the second half of last year, sales momentum remained weak in the first half year due to the fact that consumer were reluctant to make purchases in a persistent inflation and high interest rates environment. Consumer remained to be price-sensitive and expected further discount by deferral of purchases. The Group further tightened up inventory control with less purchases especially for the last generation GPUs to minimize potential inventory risk.

Global memory chip manufacturers have started to cut down production recently due to a persistent drop on memory prices. This may be a positive indicator to correct consumer expectation on further potential discount of products. Channel inventory level is relatively at a healthy level as compared to last year. Fourth quarter is the traditional buying season in a year, so it is foreseeable channel customers will likely place orders more aggressively in order to get prepared for the upcoming buying season. It will not be a surprise for the Group to achieve a higher sales revenue in the second half as compared to the first half of the year.

The Group keeps on investing in new product development. Besides launching new products embedded with Nvidia professional graphics solutions, the Group is planning to introduce GPU server solutions for artificial intelligence and machine learning in the last quarter of the year. The growing GPU server market is predicted to expand persistently across different industries and businesses. Although it will take time for the Group to build up the business in this fast growing sector, the return contribution is foreseen to be substantial in long run and to take the Group to the next level.

Financial Review

Revenue

The Group's total revenue decreased by HK$2,432.4 million, or 36.8%, from HK$6,607.8 million in the first half of 2022 to HK$4,175.4 million in the first half of 2023. The change was mainly due to a decline on sales of both own brand and ODM/OEM basis VGA Cards. The business was largely affected by various geopolitical and economic factors that had resulted in a shrink on demand since second half of last year.

Revenue on VGA Cards decreased by HK$2,447.6 million, or 42.3%, from HK$5,781.5 million in the first half of 2022 to HK$3,333.9 million in the first half of 2023. Sales of own brand VGA Cards and ODM/OEM VGA Cards have recorded a decline by HK$1,592.8 million and HK$854.8 million respectively during the period under review. Sales of own brand VGA Cards decreased by HK$1,592.8 million, or 36.5%, from HK$4,363.6 million in the first half of 2022 to HK$2,770.8 million in the first half of 2023. Geopolitical issue and high inflation together with aggressive monetary policies had caused a shrink in demand of VGA Cards and also resulted in a slowdown of VGA Cards replacement cycle. In addition, the Group has also adopted a more conservative practice to reduce GPU intakes especially of the last generation GPUs which would also cause a decline in sales revenue during period under review.

ODM/OEM orders on VGA Cards decreased by HK$854.8 million, or 60.3%, from HK$1,417.9 million in the first half of 2022 to HK$563.1 million in the first half of 2023. It was mainly associated with lower sales level of ODM/OEM basis VGA Cards as a result of the weak demand of PC due to a deteriorating economy with a continuous decline of PC shipment over the past few quarters.

Revenue derived from the EMS business amounted to HK$358.9 million in the first half of 2023, representing a decrease of HK$2.0 million, or 0.6%, as compared to HK$360.9 million in the first half of 2022. The change was not significant which was mainly due to additional orders contributed from new customers that offset sales downtrend of some existing customers during the period under review.

Sales of other PC related products and components increased by HK$17.2 million, or 3.7%, from HK$465.4 million in the first half of 2022 to HK$482.6 million in the first half of 2023. The change was mainly associated with increase in component trade which offset a sales downtrend on computers during the period under review.

Gross Profit and Margin

The Group's gross profit in the first half of 2023 was HK$323.7 million, representing a decrease of HK$1,042.1 million, or 76.3%, as compared with HK$1,365.8 million in the first half of 2022. Gross profit margin was 7.8% in the first half of 2023 as compared with 20.7% in the first half of 2022. Decline of gross profit margin was mainly associated with price promotion to stimulate sales of own brand VGA Cards and clearance of last generation of own brand VGA Cards with discount in the first half of 2023. Drop in sales volume on both own brand and ODM/OEM VGA Cards has also resulted in a decline of gross profit and margin during the period under review.

Material cost as a percentage of sales increased by 12.0% from 77.3% in the first half of 2022 to 89.3% in the first half of 2023 which was mainly resulted from sales promotion and 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$11.3 million, or 8.6%, from HK$131.4 million in the first half of 2022 to HK$120.1 million in the first half of 2023. The decline was not fully in line with sales volume decline since it was partly offset by the fixed production overheads in factories.

Other Revenue and Other Gains and Losses

Other revenue and other gains and losses increased by HK$17.8 million, or 356.0%, from a loss of HK$5.0 million in the first half of 2022 to a gain of HK$12.8 million in the first half of 2023. The change was mainly due to a significant increase in interest income by HK$19.6 million from HK$1.8 million in the first half of 2022 to HK$21.4 million in the first half of 2023 which has fully offset the net exchange losses incurred for the period under review.

Operating Expenses

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment losses on financial assets and finance costs, decreased by HK$51.4 million, or 14.3%, from HK$358.2 million in the first half of 2022 to HK$306.8 million in the first half of 2023. The change was mainly due to lower spending on directors' profit sharing and staff bonus under administrative expenses in the first half of 2023 as compared to same period in last year.

Selling and distribution expenses increased by HK$12.5 million, or 26.2%, from HK$47.8 million in the first half of 2022 to HK$60.3 million in the first half of 2023. The change was mainly due to more marketing and promotion activities for new products launch and clearance of last generation own brand VGA Cards in the first half of 2023.

Administrative expenses were HK$89.7 million lower than the same period in last year, which decreased by 29.9% from HK$300.0 million in the first half of 2022 to HK$210.3 million in the first half of 2023. Staff cost included directors' remuneration under administrative expenses decreased by HK$99.3 million, or 39.5%, from HK$251.1 million in the first half of 2022 to HK$151.8 million in the first half of 2023. It was mainly associated with less provision on performance bonus and directors' profit sharing due to the profit decline during the period under review. Other administrative expenses increased by HK$9.6 million, or 19.6%, from HK$48.9 million in the first half of 2022 to HK$58.5 million in the first half of 2023 which was mainly due to depreciation of property, plant and equipment and the right-of-use assets.

The impairment losses on financial assets remained stable at approximately HK$1.0 million in the first half of 2022 and 2023. There was no material impairment loss associated with any specific customer during the period under review.

Finance costs increased by HK$25.8 million, or 274.5%, from HK$9.4 million in the first half of 2022 to HK$35.2 million in the first half of 2023. The increase was mainly due to significant increase in interest rate since the second half of last year.

There was no further loss shared from the joint venture in the first half of 2023 since the Group fully recognised its share of loss up to the carrying value of the joint venture investment of HK$40.5 million in the first half of 2022.

Profit attributable to Owners of the Company

The Group recorded a profit attributable to owners of the Company of HK$20.1 million in the first half of 2023 as compared with HK$802.1 million in the first half of 2022. The decrease was mainly due to a substantial reduction of gross profit even through it has been partially offset by the decrease in operating expenses.

Income tax expenses of HK$10.5 million were recorded in the first half of 2023 which decreased by HK$149.7 million, or 93.4%, from HK$160.2 million in the first half of 2022. The change was mainly due to a decrease in profit of some major operating subsidiaries of the Company during the period under review.

Earnings per share and Dividends

The profit attributable to owners of the Company in the first half of 2023 was HK$20.1 million which resulted in basic earnings of HK$0.052 per share and diluted earnings of HK$0.052 per share. Profit attributable to owners of the Company in the first half of 2022 was HK$802.1 million with basic earnings of HK$2.070 per share and diluted earnings of HK$2.068 per share. In view of a strong net cash position, the Board proposed an interim dividend of HK$0.10 per share for the period ended 30 June 2023 and it is estimated to be HK$38.8 million in total.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds decreased by HK$80.1 million, or 2.8%, from HK$2,848.8 million as at 31 December 2022 to HK$2,768.7 million as at 30 June 2023.

Financial Position

Total non-current assets decreased by HK$25.5 million, or 3.5%, from HK$733.6 million as at 31 December 2022 to HK$708.1 million as at 30 June 2023. The change was mainly due to a decrease in net book value of property, plant and equipment and the right-of-use assets.

Net book value of property, plant and equipment decreased by HK$10.8 million, or 1.8%, from HK$596.4 million as at 31 December 2022 to HK$585.6 million as at 30 June 2023. The change was mainly due to the depreciation of property, plant and equipment. The right-of-use assets decreased by HK$14.9 million, or 12.2%, from HK$121.8 million as at 31 December 2022 to HK$106.9 million as at 30 June 2023 that was mainly associated with the depreciation of right-of-use assets under lease contracts on land and buildings. Deferred tax assets increased by HK$0.5 million, or 12.5%, from HK$4.0 million as at 31 December 2022 to HK$4.5 million as at 30 June 2023. It was mainly due to loss incurred under a number of subsidiaries during the period under review.

The Group has total current assets of HK$4,346.4 million as at 30 June 2023 and HK$5,421.8 million as at 31 December 2022. The Group's total current liabilities amounted to HK$2,202.1 million as at 30 June 2023 and HK$3,207.1 million as at 31 December 2022. The Group's current ratio, defined as total current assets over total current liabilities, was increased from 1.7 as at 31 December 2022 to 2.0 as at 30 June 2023.

The Group's cash and bank balances increased from HK$2,207.3 million as at 31 December 2022 to HK$2,231.1 million as at 30 June 2023. It was mainly contributed by a net impact on reduction of inventories and borrowings in the first half of 2023. The Group has incurred a lower level of borrowings of HK$954.6 million as at 30 June 2023 as compared to HK$1,738.7 million as at 31 December 2022. The Group has utilized the available cash on hand to finance the procurement and operation in order to reduce borrowings during the period under review. Due to the adoption of HKFRS 16, the Group has recognised current lease liabilities amounting to HK$30.8 million and non-current lease liabilities amounting to HK$82.3 million as at 30 June 2023. The Group's net cash to equity ratio (being cash and cash equivalents minus debts divided by total equity) increased from 11.9% as at 31 December 2022 to 34.9% as at 30 June 2023. The change was mainly due to an increase of cash and bank balances and a decrease of borrowings as at 30 June 2023. Gearing ratio was not presented as the Group was at a net cash position as at 31 December 2022 and 30 June 2023.

Trade and other receivables under current assets consisting of trade receivables at amortised cost and at fair value, together with other receivables, deposits and prepayment decreased by HK$435.8 million, or 34.6%, from HK$1,260.6 million as at 31 December 2022 to HK$824.8 million as at 30 June 2023. Trade receivables at amortised cost decreased by HK$417.8 million, or 36.1%, from HK$1,155.8 million as at 31

December 2022 to HK$738.0 million as at 30 June 2023. It was mainly due to a slowdown of business during the period under review. Trade receivables at fair value through profit or loss in factoring arrangement decreased by HK$5.2 million, or 18.0%, from HK$28.9 million as at 31 December 2022 to HK$23.7 million as at 30 June 2023. Other receivables, deposits and prepayment under current assets decreased by HK$12.8 million, or 16.9%, from HK$75.9 million as at 31 December 2022 to HK$63.1 million as at 30 June 2023. It was mainly associated with deposit paid to a supplier of HK$8.2 million as at 31 December 2022 and there was no deposit paid to supplier as at 30 June 2023.

As at 30 June 2023, total expected credit loss ("ECL") provision of about HK$0.1 million, HK$0.3 million, HK$0.1 million, HK$60.0 million and HK$241.1 million was recognised for trade receivables at amortised cost aged "Not past due", "Within 1 month past due", "Over 1 month within 3 months past due", "Over 3 months but within 1 year past due" and "Over 1 year past due" respectively under the ECL assessment on both individual and collective basis. As at 31 December 2022, total ECL provision of about HK$0.1 million, HK$190.5 million and HK$123.3 million was recognised for trade receivables at amortised cost aged "Over 1 month within 3 months past due", "Over 3 months but within 1 year past due" and "Over 1 year past due" respectively under the ECL assessment on both individual and collective basis.

As at 20 August 2023, the Group has collected a total of HK$564.3 million representing 54.3% of the gross carrying amount of trade receivables as at 30 June 2023. There are a few cases with complaints of missing shipment. Based on the past experience, it would usually take a longer time for the Company to fully recover from such customer. Therefore, the directors of the Company believed the trade receivables after provision would be fully recoverable and no further impairment loss was considered.

Trade and other payables decreased by HK$174.8 million, or 14.1%, from HK$1,237.8 million as at 31 December 2022 to HK$1,063.0 million as at 30 June 2023. Trade payables decreased by HK$166.8 million, or 17.3%, from HK$965.4 million as at 31 December 2022 to HK$798.6 million as at 30 June 2023. It was mainly associated with a slowdown of business with a lower value on procurement in the first half of the 2023. Other payables decreased by HK$8.0 million, or 2.9%, from HK$272.4 million as at 31 December 2022 to HK$264.4 million as at 30 June 2023. The change was resulted from a net impact of a decrease in provision of staff performance bonus and directors' profit sharing which offset dividend payable incurred as at 30 June 2023.

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$21.2 million, or 30.5%, from HK$69.6 million as at 31 December 2022 to HK$48.4 million as at 30 June 2023. Refund liabilities decreased by HK$22.4 million, or 26.7%, from HK$83.8 million as at 31 December 2022 to HK$61.4

million as at 30 June 2023. 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 30 June 2023.

Contract liabilities has substantially decreased by HK$20.1 million, or 26.3%, from HK$76.5 million as at 31 December 2022 to HK$56.4 million as at 30 June 2023. The change was mainly due to a decrease of customer prepayment to secure purchase of products as at 30 June 2023. Provision for product warranties decreased by HK$3.5 million, or 8.9%, from HK$39.4 million as at 31 December 2022 to HK$35.9 million as at 30 June 2023 which was mainly due to a decrease in sales. Current tax recoverable increased from HK$52.4 million as at 31 December 2022 to HK$90.0 million as at 30 June 2023. Increase in tax recoverable was mainly associated with provisional profit tax payment and decrease in assessable profit under some subsidiaries of the Group.

Exposure to Fluctuation in Exchange Rates

As at 30 June 2023, 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 2022 and one structured investment contract in the first half of 2023.

Working Capital

Inventories of the Group as at 30 June 2023 were HK$1,152.1 million which decreased by HK$679.8 million, or 37.1%, as compared with HK$1,831.9 million as at 31 December 2022. The change was mainly associated with a slowdown of business and the Group has further tightened up inventory control and intakes in order to minimize potential inventory risk. Inventory turnover days increased from 66 days as at 31 December 2022 to 70 days as at 30 June 2023. The change was mainly due to a slowdown of sales which induced a higher inventory turnover days.

Trade receivables as at 30 June 2023 were HK$761.7 million, which decreased by HK$423.0 million, or 35.7%, as compared with HK$1,184.7 million as at 31 December 2022. The change was in line with sales decline during the period under review. Trade receivable turnover days increased from 41 days as at 31 December 2022 to 42 days as at 30 June 2023 which was mainly due to deferred payment from a few customers.

Trade payables as at 30 June 2023 were HK$798.6 million, which decreased by HK$166.8 million, or 17.3%, as compared with HK$965.4 million as at 31 December 2022. The change was in line with a slowdown in sales during the period under review. Trade payable turnover days decreased from 51 days as at 31 December 2022 to 41 days as at 30 June 2023 which was mainly associated with a decline in purchase of raw materials due to a slowdown on sales during the period under review.

Charges on Assets

As at 30 June 2023, bank deposits of HK$0.3 million were pledged to a bank to secure the corporate credit card granted to the Group and the Group had pledged certain office premises with an aggregate carrying value of approximately HK$365.6 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 condensed 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 the first six months of 2023 amounted to HK$28.2 million.

Capital Commitments and Contingent Liabilities

As at 30 June 2023, total capital commitments amounted to HK$4.0 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 period.

Future Plans for Material Investments or Capital Assets

The Group has no plan for material investment or acquisition of capital assets as at 30 June 2023.

Events After the Reporting Period

Save as disclosed above, there are no important events that have occurred after the interim period ended 30 June 2023 and up to the date of this announcement.

Employee and Remuneration Policy

As at 30 June 2023, the Group had 2,327 employees (31 December 2022: 2,714 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. Subsequently, the Company also adopted a share option scheme on 17 June 2016.

Significant Acquisition and Disposals of Investments

There was no acquisition and disposal of investment during the first six months ended 30 June 2023.

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 six months ended 30 June 2023.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the six months ended 30 June 2023, the Company has complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rule, save and except for the deviation from code provisions C.2.1 and D.2.5 of the CG Code as described below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separately held and should not be performed by the same individual. During the interim period ended 30 June 2023, these two roles were performed by Mr. WONG Shik Ho Tony. He is one of the founders of the Group and has been heavily involved in the Group's management and business operation since its incorporation. The Board considers that combining the two roles would uphold a unified and strong leadership and provide consistent business directions to the Group, which would facilitate a quick decision making in a highly competitive and fast-changing global business environment.

The Board considers that the Company has a balanced composition of the board of Directors. There are 5 Executive Directors, 1 Non-executive Director and 4 Independent Non-executive Directors. All Executive Directors are well experienced in the industry and are heavily involved in the Group's daily business operation. All Non-executive Directors (including the Independent Non-executive Directors) have diverse skills, backgrounds and qualifications in their fields. They actively participated in the Company's meetings during the interim period.

Under code provision D.2.5 of the CG Code, the Company should have an internal audit function. During the six months ended 30 June 2023, the Company had no internal audit function but engaged an audit firm to evaluate its risk management and internal control system at regular intervals. The audit firm directly reported to and held regular meetings with the Audit Committee. It delivered its findings and proposed enhancements to the Company after carrying out an enterprise risk review and internal control assessment.

The Board believes that engaging an external professional firm to perform the internal audit function would provide an independent unbiased opinion to the Company and enhance risk management and internal control of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established the Audit Committee on 21 December 2011 with written terms of reference. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group as well as to provide advice and comments to the Board.

The Audit Committee comprises four Independent Non-executive Directors, namely, Mr. LAI Kin Jerome (chairman), Mr. IP Shing Hing, Mr. CHEUNG Ying Sheung and Ms. CHAN Yim.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") www.hkex.com.hk and on the Company's website at www.pcpartner.com. The 2023 Interim Report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

By order of the Board of
PC Partner Group Limited
WONG Shik Ho Tony
Chairman

Hong Kong, 29 August 2023

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

* *For identification purposes only*