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## **PC PARTNER GROUP LIMITED**

### **栢能集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1263)**

## **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>FINANCIAL HIGHLIGHTS</b>	<b>Year ended 31 December</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
	<b>HK\$ million</b>	<b>HK\$ million</b>	
Revenue	<b>9,167.2</b>	10,775.3	-14.9%
Gross Profit	<b>700.7</b>	1,563.0	-55.2%
Gross Profit%	<b>7.6%</b>	14.5%	-47.6%
Profit for the year attributable to owners of the Company	<b>60.8</b>	702.5	-91.3%
Net Profit%	<b>0.7%</b>	6.5%	-89.2%

The board of directors (the “Board”) of PC Partner Group Limited (the “Company”) is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
Revenue	4, 5	<b>9,167,215</b>	10,775,308
Cost of sales		<b>(8,466,469)</b>	<u>(9,212,346)</u>
Gross profit		<b>700,746</b>	1,562,962
Other revenue and other gains and losses, net	6	<b>30,770</b>	(1,347)
Selling and distribution expenses		<b>(138,183)</b>	(121,532)
Administrative expenses		<b>(442,773)</b>	(523,278)
Impairment losses on financial assets		<b>(3,118)</b>	(533)
Finance costs	7	<b>(59,306)</b>	(32,551)
Share of loss of a joint venture		<u>—</u>	<u>(40,513)</u>
Profit before income tax	8	<b>88,136</b>	843,208
Income tax	9	<b>(28,248)</b>	<u>(141,311)</u>
<b>Profit for the year</b>		<b><u>59,888</u></b>	<u>701,897</u>
<b>Other comprehensive income, after tax</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Changes in fair value of equity instruments at fair value through other comprehensive income		—	(2,249)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating foreign subsidiaries		<u>(1,381)</u>	<u>(5,010)</u>
<b>Total comprehensive income for the year</b>		<b><u><u>58,507</u></u></b>	<b><u><u>694,638</u></u></b>

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Profit for the year attributable to:</b>			
— Owners of the Company		<b>60,843</b>	702,484
— Non-controlling interests		<b>(955)</b>	(587)
		<u><b>59,888</b></u>	<u>701,897</u>
<b>Total comprehensive income for the year attributable to:</b>			
— Owners of the Company		<b>59,462</b>	695,225
— Non-controlling interests		<b>(955)</b>	(587)
		<u><b>58,507</b></u>	<u>694,638</u>
		<i>HK\$</i>	<i>HK\$</i>
Earnings per share	<i>11</i>		
— Basic		<b>0.16</b>	1.81
— Diluted		<b>0.16</b>	1.81
		<u><b>0.16</b></u>	<u>1.81</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>557,369</b>	596,378
Right-of-use assets		<b>92,559</b>	121,766
Intangible assets		<b>4,825</b>	4,825
Other financial asset		<b>1,268</b>	1,268
Deferred tax assets		<b>5,788</b>	3,999
Trade and other receivables	<i>12</i>	<b>5,664</b>	5,383
Total non-current assets		<b>667,473</b>	733,619
<b>Current assets</b>			
Inventories	<i>13</i>	<b>1,135,492</b>	1,831,959
Trade and other receivables	<i>12</i>	<b>894,097</b>	1,260,597
Right of return assets		<b>38,601</b>	69,561
Income tax recoverable		<b>68,487</b>	58,951
Cash and bank balances		<b>2,491,217</b>	2,207,323
Total current assets		<b>4,627,894</b>	5,428,391
Total assets		<b>5,295,367</b>	6,162,010
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>1,280,048</b>	1,237,752
Refund liabilities		<b>48,837</b>	83,794
Contract liabilities	<i>5</i>	<b>60,957</b>	76,521
Borrowings	<i>15</i>	<b>982,426</b>	1,738,733
Provision for product warranties and returns		<b>41,124</b>	39,436
Lease liabilities		<b>30,164</b>	30,864
Income tax payable		<b>8,546</b>	6,571
Total current liabilities		<b>2,452,102</b>	3,213,671
<b>Net current assets</b>		<b>2,175,792</b>	2,214,720
<b>Total assets less current liabilities</b>		<b>2,843,265</b>	2,948,339

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Total non-current liabilities</b>			
Lease liabilities		<u>69,050</u>	<u>97,194</u>
<b>NET ASSETS</b>		<u><b>2,774,215</b></u>	<u><b>2,851,145</b></u>
<b>Capital and reserves</b>			
Share capital	<i>16</i>	<b>38,788</b>	38,768
Reserves		<u><b>2,734,043</b></u>	<u>2,810,038</u>
<b>Equity attributable to owners of the Company</b>		<b>2,772,831</b>	2,848,806
Non-controlling interests		<u><b>1,384</b></u>	<u>2,339</u>
<b>TOTAL EQUITY</b>		<u><b>2,774,215</b></u>	<u><b>2,851,145</b></u>

*Notes:*

**1. GENERAL INFORMATION**

PC Partner Group Limited (the “Company”) was incorporated in the Cayman Islands on 1 April 2010 with limited liability under the Companies 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 United States of America (“U.S.A.”).

**2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

**(a) Adoption of revised HKFRSs — effective on 1 January 2023**

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

- 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
- Amendments to HKAS 12: International Tax Reform — Pillar Two model Rules

**(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 <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> 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.

**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 “HKFRS”) 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.

**(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.

#### 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 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	
	2023 HK\$'000	2022 HK\$'000
<b>Primary geographical markets</b>		
Asia Pacific ("APAC")	3,274,159	3,733,959
North and Latin America ("NALA")	1,282,346	2,078,456
People's Republic of China ("PRC")	2,127,307	1,999,731
Europe, Middle East, Africa and India ("EMEAI")	2,483,403	2,963,162
	<u>9,167,215</u>	<u>10,775,308</u>
<b>Major products/services</b>		
Video graphics cards ("VGA Cards")	7,266,157	8,994,816
Electronics manufacturing services ("EMS")	738,958	828,871
Other PC related products and components	1,162,100	951,621
	<u>9,167,215</u>	<u>10,775,308</u>
<b>Brand and non-brand businesses</b>		
Brand businesses	5,815,602	7,047,288
Non-brand businesses	3,351,613	3,728,020
	<u>9,167,215</u>	<u>10,775,308</u>
<b>Timing of revenue recognition</b>		
At a point in time	<u>9,167,215</u>	<u>10,775,308</u>



**(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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
APAC	3,274,159	3,733,959	433,836	450,399
NALA	1,282,346	2,078,456	23,210	23,246
PRC	2,127,307	1,999,731	203,354	254,490
EMEA	2,483,403	2,963,162	17	217
	<u>9,167,215</u>	<u>10,775,308</u>	<u>660,417</u>	<u>728,352</u>

**(c) Information about the major customer**

During the years ended 31 December 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.

	2023 HK\$'000	2022 HK\$'000
Contract liabilities	<u>60,957</u>	<u>76,521</u>

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK\$50,876,000 of the contract liabilities as at 1 January 2023 and HK\$178,995,000 of the contract liabilities as at 1 January 2022 has been recognised as revenue for the year ended 31 December 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, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Government grants ( <i>note</i> )	2,447	7,009
Interest income	50,228	10,455
Net exchange losses	(29,133)	(30,355)
Net fair value gains on derivative financial instruments	506	61
Gain on disposal of property, plant and equipment	40	379
Gain on derecognition of right-of-use assets	20	162
Sundry income	6,662	10,942
	<u>30,770</u>	<u>(1,347)</u>

### *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 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 year end. There is no unfulfilled conditions and other contingencies attaching to the government grants that have been recognised.

## 7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank advances and other borrowings	54,766	27,915
Interest on lease liabilities	4,540	4,636
	<u>59,306</u>	<u>32,551</u>

## 8. PROFIT BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Inventories recognised as expense	8,424,706	9,161,328
Provision for obsolete inventories	<u>41,763</u>	<u>51,018</u>
Cost of sales	<u>8,466,469</u>	<u>9,212,346</u>
Staff costs	410,777	530,701
Auditor's remuneration	1,922	1,854
Bad debts written off	1,753	152
Depreciation of property, plant and equipment	74,568	36,749
Depreciation of right-of-use assets	31,889	31,186
Impairment losses on financial assets	3,118	533
Short-term lease expenses	505	2,991
Low-value assets leases expenses	24	20
Property, plant and equipment written off	2	28
Provision/(reversal of provision) for product warranties and returns, net	17,404	(12,455)
Research and development expenditure ( <i>note</i> )	<u>74,971</u>	<u>64,286</u>

*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.

## 9. INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax — Hong Kong		
— provision for the year	26,668	125,536
— over provision in respect of prior year	(989)	(314)
Current tax — PRC		
— provision for the year	4,446	2,063
— under provision in respect of prior year	—	4,545
Current tax — others		
— provision for the year	172	2,898
— (over)/under provision in respect of prior year	(267)	984
	<u>30,030</u>	<u>135,712</u>
Deferred tax		
— origination and reversal of temporary differences	(1,782)	5,599
Income tax expense	<u><u>28,248</u></u>	<u><u>141,311</u></u>

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 years ended 31 December 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 year 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 year ended 31 December 2023.

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

## 10. DIVIDENDS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
2022 Final dividend paid — HK\$Nil per share (2022: 2021 Final dividend paid — HK\$1.61 per share)	—	624,171
2022 Special dividend paid — HK\$0.25 per share (2022: 2021 Special dividend paid — HK\$Nil per share)	<b>96,971</b>	—
2023 Interim dividend paid — HK\$0.10 per share (2022: 2022 Interim dividend paid — HK\$0.80 per share)	<b>38,788</b>	310,147
Dividends paid for the year	<b><u>135,759</u></b>	<u>934,318</u>

The directors of the Company propose a final dividend of HK\$0.2 (2022: HK\$Nil) per share and a special dividend of HK\$Nil (2022: HK\$0.25) per share, totalling HK\$77,577,000 (2022: special dividend of HK\$96,971,000) after the end of the reporting period. The final dividend has not been recognised as liabilities at the end of the reporting period.

## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2023 and 2022 is based on the following data:

<b>Profit</b>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b><u>60,843</u></b>	<u>702,484</u>
<b>Shares in issue</b>	<b>2023</b> <i>(number of shares)</i>	2022 <i>(number of shares)</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>387,850,243</b>	387,559,833
Effect of dilutive potential ordinary shares: — share options	—	329,508
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b><u>387,850,243</u></b>	<u>387,889,341</u>

## 12. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables at amortised cost	1,061,508	1,469,736
Less: Accumulated impairment losses	<u>(308,741)</u>	<u>(313,948)</u>
Trade receivables at amortised cost, net	<u>752,767</u>	<u>1,155,788</u>
Trade receivables at fair value through profit or loss ( <i>note</i> )	61,859	28,918
Other receivables	20,554	12,785
Deposits and prepayments	70,140	74,048
Less: Accumulated impairment losses	<u>(5,559)</u>	<u>(5,559)</u>
	<u>64,581</u>	<u>68,489</u>
	<u>899,761</u>	<u>1,265,980</u>
Less: Other receivables — non-current portion	(1,149)	(409)
Rental deposits — non-current portion	<u>(4,515)</u>	<u>(4,974)</u>
	<u>(5,664)</u>	<u>(5,383)</u>
Trade and other receivables — current portion	<u>894,097</u>	<u>1,260,597</u>

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	403,872	751,228
Over 1 month but within 3 months	316,703	289,707
Over 3 months but within 1 year	29,703	110,108
Over 1 year	<u>2,489</u>	<u>4,745</u>
	<u>752,767</u>	<u>1,155,788</u>

The credit period on sale of goods is 14 to 90 days (2022: 30 to 90 days) from the invoice date.

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At 1 January	<b>313,948</b>	338,123
Impairment losses recognised during the year	<b>3,118</b>	533
Exchange difference	<b>(8,325)</b>	(24,708)
	<hr/>	<hr/>
At 31 December	<b>308,741</b>	313,948
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables at fair value through profit or loss	<b>61,859</b>	28,918
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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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	<b>22,221</b>	14,064
Over 1 month but within 3 months	<b>39,638</b>	14,704
Over 3 months but within 1 year	<b>—</b>	150
	<hr/>	<hr/>
	<b>61,859</b>	28,918
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### 13. INVENTORIES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials	<b>639,171</b>	1,106,830
Work in progress	<b>19,424</b>	25,513
Finished goods	<b>626,837</b>	853,095
	<hr/>	<hr/>
	<b>1,285,432</b>	1,985,438
Less: Provision for obsolete inventories	<b>(149,940)</b>	(153,479)
	<hr/>	<hr/>
	<b>1,135,492</b>	1,831,959
	<hr/> <hr/>	<hr/> <hr/>

#### 14. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	1,046,866	965,382
Other payables and accruals	<u>233,182</u>	<u>272,370</u>
	<u><b>1,280,048</b></u>	<u><b>1,237,752</b></u>

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 the year is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	714,376	528,216
Over 1 month but within 3 months	291,472	396,056
Over 3 months but within 1 year	36,587	37,163
Over 1 year	<u>4,431</u>	<u>3,947</u>
	<u><b>1,046,866</b></u>	<u><b>965,382</b></u>

#### 15. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans — secured and guaranteed	184,880	192,637
Import loans — guaranteed	<u>797,546</u>	<u>1,546,096</u>
	<u><b>982,426</b></u>	<u><b>1,738,733</b></u>

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

	2023			2022		
	Denominated in			Denominated in		
	HK\$	US\$	Total	HK\$	US\$	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans — secured and guaranteed	184,880	—	184,880	192,637	—	192,637
Import loans — guaranteed	<u>797,546</u>	—	<u>797,546</u>	901,954	644,142	<u>1,546,096</u>
	<u><b>982,426</b></u>	<u>—</u>	<u><b>982,426</b></u>	<u>1,094,591</u>	<u>644,142</u>	<u><b>1,738,733</b></u>



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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 year	805,303	1,553,853
Over 1 year but within 2 years	7,757	7,757
Over 2 years but within 5 years	<u>169,366</u>	<u>177,123</u>
	<u><u>982,426</u></u>	<u><u>1,738,733</u></u>

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.

## 16. SHARE CAPITAL

	2023		2022	
	Number of shares	Amount <i>HK\$'000</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000</u>	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of year	387,683,668	38,768	387,383,668	38,738
Share options exercised	<u>200,000</u>	<u>20</u>	<u>300,000</u>	<u>30</u>
At end of year	<u><u>387,883,668</u></u>	<u><u>38,788</u></u>	<u><u>387,683,668</u></u>	<u><u>38,768</u></u>

## 17. CONTINGENT LIABILITY

Included in the sales of products to U.S.A. was the Group's own brand VGA cards, which are imported to U.S.A. as gaming component for custom declaration. During the year, the Group identified a classification issue on import declaration of VGA cards that U.S. Customs and Border Protection ("CBP") may treat VGA cards as computer component. Such classification would lead to a 25% tariff under China Section 301 Tariffs in a certain period of time and the maximum amount of the potential tariff approximates US\$25 million (approximately HK\$197 million).

The Group is of opinion that the VGA cards are specially designed and produced for gaming purposes and the classification under gaming component is proper. Under lawyer's advice, the Group took an initiative to rectify the declaration in CBP in order to avoid additional penalty on unreported tariff and subsequently would file a protest to CBP to request the clarity on the VGA card classification issue.

The Directors are of view that it was not probable that an outflow of economic benefits will be required on the above classification issue on declaration of imported goods to U.S.A.

## **DIVIDEND**

The Board recommends a final dividend of HK\$0.2 per share payable to shareholders of the Company whose names are on the register of members of the Company on 9 July 2024 (Tuesday). The proposed dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting to be held on 28 June 2024 (Friday).

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company (“AGM”) will be held on 28 June 2024 (Friday). For details of the AGM, please refer to the Notice of AGM which is expected to be published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company’s website at [www.pcpartner.com](http://www.pcpartner.com). on or about 27 March 2024 (Wednesday).

## **CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE**

- (a) For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 25 June 2024 (Tuesday) to 28 June 2024 (Friday) (both days inclusive), during which time no transfer of shares will be registered. To ensure that shareholders are entitled to attend and vote at the AGM, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 24 June 2024 (Monday) for registration of the relevant transfer.
- (b) The proposed final dividend is subject to the approval of the shareholders at the AGM. The record date for the proposed final dividend is fixed on 9 July 2024 (Tuesday). For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 5 July 2024 (Friday) to 9 July 2024 (Tuesday) (both days inclusive), during which time no transfer of shares will be effected. In order to qualify for the proposed final dividend, shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 4 July 2024 (Thursday) 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 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.

### ***Business Performance***

Revenue has recorded a decrease of HK\$1,608.1 million, or 14.9%, from HK\$10,775.3 million in 2022 to HK\$9,167.2 million in 2023. Business performance deteriorated which was largely affected by various geopolitical and economic factors that have discouraged consumer spending and corporate investment throughout the year.

VGA Cards business has recorded a decrease of HK\$1,728.7 million, or 19.2%, from HK\$8,994.8 million in 2022 to HK\$7,266.1 million in 2023. Sales of own brand VGA Cards decreased by HK\$1,241.4 million, or 18.0%, from HK\$6,902.6 million in 2022 to HK\$5,661.2 million in 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 strategy to reduce purchases of the last generation GPUs and unpopular models which would cause a decline in sales revenue during the year. Sales volume of own brand VGA Cards has fallen by 13.2% with average selling price (“ASP”) decreased by approximately 5.5% from 2022 to 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 and slow moving products during the year.

Sales of ODM/OEM VGA Cards decreased by HK\$487.3 million, or 23.3%, from HK\$2,092.2 million in 2022 to HK\$1,604.9 million in 2023. The decline of ODM/OEM orders of VGA Cards was mainly due to a drop of sales volume by 19.5% from 2022 to 2023. The business was also largely affected by an unstable geopolitical and economic environment which discouraged consumer spending and demand of PC hardware. Many ODM/OEM customers had cancelled or postponed projects due to a deteriorating economy with a continuous decline of PC shipment during the year.

EMS business has recorded a decrease of HK\$89.9 million, or 10.8%, from HK\$828.9 million in 2022 to HK\$739.0 million in 2023. The change was mainly due to a decline in orders from major customers that was mainly caused by geopolitical and economic factors which affected the demand of the products.

Sales of other PC related products and components business increased by HK\$210.5 million, or 22.1%, from HK\$951.6 million in 2022 to HK\$1,162.1 million in 2023. PC product lines under the other PC related products and components business has recorded a decline by 13.8% which was mainly due to geopolitical and economic issues together a weak demand of PC during the year; however, the decline of PC product lines have been fully offset by an increase in component trade by 46.1% during the year.

Revenue of brand business decreased by HK\$1,231.7 million, or 17.5%, from HK\$7,047.3 million in 2022 to HK\$5,815.6 million in 2023. Performance of brand business was highly associated with consumer confidence and spending power which was largely affected by a mixture of high inflation and aggressive monetary policies as well as the unstable geopolitical issues. The Group has adopted a more conservative approach to minimize the inventory risk on GPU intakes especially of the last generation and slow moving product series.

The ODM/OEM business which includes component trade has recorded a decrease in revenue of HK\$376.4 million, or 10.1%, from HK\$3,728.0 million in 2022 to HK\$3,351.6 million in 2023. The decline was mainly associated with the weak demand of ODM/OEM business segment which was also largely caused by an unstable geopolitical and economic environment that has discouraged both consumer spending and corporate investment. All the business lines have experienced a decline which was partially offset by an increase in component trade during the year.

Regional business performance was very much associated with geopolitical issue, governmental policy, and the economy of different regions and countries. The PRC region has recorded an increase in revenue by 6.4%. The APAC region, the NALA region and the EMEAI region have recorded a drop of revenue by 12.3%, 38.3% and 16.2% respectively.

### ***APAC Region***

In the APAC region, revenue decreased by HK\$459.8 million, or 12.3%, from HK\$3,734.0 million in 2022 to HK\$3,274.2 million in 2023. It was mainly due to a decline in sales of both brand VGA Cards and ODM/OEM basis VGA Cards as a result of weak demand of PC. Depreciation of most Asian currencies such as Japanese Yen and Korean Won had weakened consumer purchasing power in the regions which has resulted in a decline in demand of brand VGA Cards and computer products.

### ***NALA Region***

In the NALA region, revenue amounted to HK\$1,282.3 million in 2023, representing a decrease of HK\$796.1 million, or 38.3%, as compared to HK\$2,078.4 million in 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 products. In addition, depreciation of currencies in Latin America had also weakened consumer purchasing power in most Latin America countries during the year.

### ***PRC Region***

In the PRC region, revenue amounted to HK\$2,127.3 million in 2023, representing an increase of HK\$127.6 million, or 6.4%, as compared to HK\$1,999.7 million in 2022. Sales demand of VGA Cards and computer products remained weak since the economy has not been fully recover from the COVID lockdown; however, an increase in component trade has offset the downside of the product sales during the year.

### ***EMEI Region***

In the EMEAI region, revenue amounted to HK\$2,483.4 million in 2023, representing a decrease of HK\$479.8 million, or 16.2%, as compared to HK\$2,963.2 million in 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 unstable geopolitical issues and the war in Ukraine has caused sanctions of export products to Russia which has also affected the regional business performance during the year.

### ***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.

In October 2023, U.S. government published new restrictions to block technology companies in U.S. including NVIDIA selling high end AI semiconductor chips and a top-of-the-line gaming GPU to restricted countries and regions which included China as well as Hong Kong and Macau. NVIDIA would not be able to sell the top-of-the-line gaming GPU to the Group once the restrictions was in-placed in November 2023. This is a disadvantage to the Group on competition if the brands under the Group cannot carry a full range of VGA Cards from top of the line to lowest series but major peers in Taiwan do not face the same challenge. In addition, the Group is not able to take OEM/ODM orders for the top-of-the-line gaming GPU for production which would result in a

competitive disadvantage and a drop of sales revenue to the Group. It is reasonable to expect the future generation of GPU will come with a faster speed and higher performance. The Group may suffer from significant decrease in revenue in case there will be more gaming GPUs falling into the sanction list in future.

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 2023.

## **Outlook**

Business has started picking up from the second half of last year and the outlook of this year is relatively positive. There are some new series of GPU gaming cards launched in January of this year which has triggered a decent demand from gamers. It is believed that the sales momentum of these new series of products will continue until the next generation products come out probably in the last quarter of the year. New GPU gaming cards with next generation GPUs are expected to trigger a strong sales demand which will deliver a decent sales performance and a higher profit margin.

The Company will keep investing on new product development. A new product line of GPU server for artificial intelligence and machine learning applications will be ready to launch in the first quarter of this year. In addition, handheld PC and medical grade computers are also in the new product development pipeline of this year. All these new products shall provide a further contribution on sales revenue and profit to the Company in this year and future years. The upcoming AI PC will be a revolution of the computer industry which may have significant contribution to all computer hardware companies in future.

Although the rising geo-political uncertainties present a significant challenge to the global economy, PC Partner is in a strong position with a solid foundation and a strong financial strength which allows on continuous investment on product innovation and operational excellence to increase returns to shareholders. In addition, the Company is also studying and seeking for other alternatives to tackle the latest sanction.

## Financial Review

### *Revenue*

The Group's total revenue decreased by HK\$1,608.1 million, or 14.9%, from HK\$10,775.3 million in 2022 to HK\$9,167.2 million in 2023. The change was mainly due to a decline in sales of both VGA Cards and EMS business even through an increase of other PC related products and components segment has offset a part of the downside. The business was largely affected by various geopolitical and economic factors that had resulted in a decrease in sales for the year.

Revenue on VGA Cards decreased by HK\$1,728.7 million, or 19.2%, from HK\$8,994.8 million in 2022 to HK\$7,266.1 million in 2023. Sales of own brand VGA Cards and ODM/OEM VGA Cards have recorded a decline by HK\$1,241.4 million and HK\$487.3 million respectively during the year. Sales of own brand VGA Cards decreased by HK\$1,241.4 million, or 18.0%, from HK\$6,902.6 million in 2022 to HK\$5,661.2 million in 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 intakes of the last generation and slow moving GPUs which would also cause a decline in sales revenue during year.

ODM/OEM orders on VGA Cards decreased by HK\$487.3 million, or 23.3%, from HK\$2,092.2 million in 2022 to HK\$1,604.9 million in 2023. The business was largely affected by an unstable geopolitical and economic environment which discouraged consumer spending and demand of PC hardware. Many ODM/OEM customers had cancelled or postponed projects due to a deteriorating economy with a weak demand of PC shipment during the year.

Revenue derived from the EMS business amounted to HK\$739.0 million in 2023, representing a decrease of HK\$89.9 million, or 10.8%, as compared to HK\$828.9 million in 2022. The change was mainly due to a decline in orders from major customers that was mainly caused by geopolitical and economic factors which affected the demand of the products.

Sales of other PC related products and components increased by HK\$210.5 million, or 22.1%, from HK\$951.6 million in 2022 to HK\$1,162.1 million in 2023. Although the PC product lines under the other PC related products and components business has recorded a decline by 13.8% but it has been fully offset by an increase in component trade by 46.1% during the year.



### ***Gross Profit and Margin***

The Group's gross profit in 2023 was HK\$700.7 million, representing a decrease of HK\$862.3 million, or 55.2%, as compared with HK\$1,563.0 million in 2022. Gross profit margin was 7.6% in 2023 as compared with 14.5% in 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 and slow moving of own brand VGA Cards with discount during the year. Drop in sales volume on both own brand and ODM/OEM VGA Cards together with a decline in orders from EMS business as well as a lower sales level of PC products under the other PC related products and components segment has also resulted in a decline of gross profit and margin during the year.

Material cost as a percentage of sales increased by 6.5% from 83.2% in 2022 to 89.7% in 2023 which was mainly resulted from sales promotion and discount offered to customers under own brand VGA Cards together with a lower sales level from EMS business and PC products under the other PC related products and components segment. The Group has spent less on conversion cost which consisted of direct labour and production overheads for a total of HK\$6.8 million, or 2.7%, from HK\$248.0 million in 2022 to HK\$241.2 million in 2023. Although the direct labour cost has been reduced by 13.0% which aligned with sales volume decline during the year, the Group has incurred a much higher capital expenditure in the year of 2022 for production automation and factory maintenance that has resulted in a higher depreciation cost so that the overall conversion cost was almost flatlining as compared to the prior year.

### ***Other Revenue and Other Gains and Losses***

Other revenue and other gains and losses increased by HK\$32.2 million, or 2,300.0%, from a loss of HK\$1.4 million in 2022 to a gain of HK\$30.8 million in 2023. The change was mainly due to a significant increase in interest income by HK\$39.7 million from HK\$10.5 million in 2022 to HK\$50.2 million in 2023 which has fully offset the net exchange losses and other expenses incurred for the year.

### ***Operating Expenses***

Operating expenses, consisting of selling and distribution expenses, administrative expenses, impairment losses on financial assets and finance costs, decreased by HK\$34.5 million, or 5.1%, from HK\$677.9 million in 2022 to HK\$643.4 million in 2023. The change was mainly due to lower spending on directors' profit sharing and staff bonus under administrative expenses in 2023 as compared to 2022.

Selling and distribution expenses increased by HK\$16.7 million, or 13.7%, from HK\$121.5 million in 2022 to HK\$138.2 million in 2023. The change was mainly due to additional RMA provision incurred during the year which has offset the savings on other selling and distribution items during the year.

Administrative expenses were HK\$80.5 million lower than last year, which represents a decrease by 15.4% from HK\$523.3 million in 2022 to HK\$442.8 million in 2023. Staff cost included directors' remuneration under administrative expenses decreased by HK\$93.2 million, or 22.4%, from HK\$416.2 million in 2022 to HK\$323.0 million in 2023. It was mainly associated with less provision on performance bonus and directors' profit sharing due to the profit decline during the year. Other administrative expenses increased by HK\$12.7 million, or 11.9%, from HK\$107.1 million in 2022 to HK\$119.8 million in 2023 which was mainly due to increase in depreciation of property, plant and equipment.

The impairment losses on financial assets increased by HK\$2.6 million, or 520.0%, from HK\$0.5 million in 2022 to HK\$3.1 million in 2023. There was no material impairment loss associated with any specific customer during the year.

Finance costs increased by HK\$26.7 million, or 81.9%, from HK\$32.6 million in 2022 to HK\$59.3 million in 2023. The increase was mainly due to significant increase in interest rate during the year.

There was no further loss shared from the joint venture in 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 2022.

### ***Profit attributable to Owners of the Company***

The Group recorded a profit attributable to owners of the Company of HK\$60.8 million in 2023 as compared with HK\$702.5 million in 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\$28.2 million were recorded in 2023 which decreased by HK\$113.1 million, or 80.0%, from HK\$141.3 million in 2022. The change was mainly due to a decrease in profit of some major operating subsidiaries of the Company during the year.

### ***Earnings per share and Dividends***

The profit attributable to owners of the Company in 2023 was HK\$60.8 million which resulted in basic earnings of HK\$0.16 per share and diluted earnings of HK\$0.16 per share. Profit attributable to owners of the Company in 2022 was HK\$702.5 million with basic earnings of HK\$1.81 per share and diluted earnings of HK\$1.81 per share. In view of a strong net cash position, the Board proposed a final dividend of HK\$0.2 per share for the year ended 31 December 2023 and it is estimated to be HK\$77.6 million in total.

## Liquidity and Financial Resources

### *Shareholders' Funds*

Total shareholders' funds decreased by HK\$76.0 million, or 2.7%, from HK\$2,848.8 million as at 31 December 2022 to HK\$2,772.8 million as at 31 December 2023.

### *Financial Position*

Total non-current assets decreased by HK\$66.1 million, or 9.0%, from HK\$733.6 million as at 31 December 2022 to HK\$667.5 million as at 31 December 2023. The change was mainly due to a decrease in net book value of property, plant and equipment and right-of-use assets.

Net book value of property, plant and equipment decreased by HK\$39.0 million, or 6.5%, from HK\$596.4 million as at 31 December 2022 to HK\$557.4 million as at 31 December 2023. The change was mainly due to a higher depreciation of property, plant and equipment as the Group spent more on capital expenditure in the year of 2022 which was more than the addition of fixed assets incurred during the year. The right-of-use assets decreased by HK\$29.2 million, or 24.0%, from HK\$121.8 million as at 31 December 2022 to HK\$92.6 million as at 31 December 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\$1.8 million, or 45.0%, from HK\$4.0 million as at 31 December 2022 to HK\$5.8 million as at 31 December 2023. It was mainly due to loss incurred under a number of subsidiaries during the year. Trade and other receivables increased by HK\$0.3 million, or 5.6% from HK\$5.4 million as at 31 December 2022 to HK\$5.7 million as at 31 December 2023 which was mainly associated with part of rental deposits being classified as non-current assets during the year.

The Group has total current assets of HK\$4,627.9 million as at 31 December 2023 and HK\$5,428.4 million as at 31 December 2022. The Group's total current liabilities amounted to HK\$2,452.2 million as at 31 December 2023 and HK\$3,213.7 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 1.9 as at 31 December 2023.

The Group's cash and bank balances increased from HK\$2,207.3 million as at 31 December 2022 to HK\$2,491.2 million as at 31 December 2023. It was mainly due to a reduction of inventories during the year together with a faster collection of trade receivables in the last quarter of the year. The Group has incurred a lower level of borrowings of HK\$982.4 million as at 31 December 2023 as compared to HK\$1,738.7 million as at 31 December 2022. It was mainly due to the Group having a higher utilization on the available cash on hand to finance the procurement and operation in order to reduce borrowings during the year. Due to the adoption of HKFRS 16, the

Group has recognised current lease liabilities amounting to HK\$30.2 million and non-current lease liabilities amounting to HK\$69.0 million as at 31 December 2023. The Group's net cash to equity ratio (being cash and bank balances minus debts divided by total equity) increased from 11.9% as at 31 December 2022 to 50.8% as at 31 December 2023. The change was mainly due to an increase of cash and bank balances and a decrease of borrowings as at 31 December 2023. Gearing ratio was not presented as the Group was at a net cash position as at 31 December 2022 and 31 December 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\$366.5 million, or 29.1%, from HK\$1,260.6 million as at 31 December 2022 to HK\$894.1 million as at 31 December 2023. Trade receivables at amortised cost decreased by HK\$403.1 million, or 34.9%, from HK\$1,155.8 million as at 31 December 2022 to HK\$752.7 million as at 31 December 2023. The change was mainly due to a faster collection cycle being executed in the last quarter of the year. Trade receivables at fair value through profit or loss in factoring arrangement increased by HK\$33.0 million, or 114.2%, from HK\$28.9 million as at 31 December 2022 to HK\$61.9 million as at 31 December 2023. Other receivables, deposits and prepayment under current assets increased by HK\$3.6 million, or 4.7%, from HK\$75.9 million as at 31 December 2022 to HK\$79.5 million as at 31 December 2023. It was mainly associated with deposit paid for suppliers for fixed assets acquisition and leasehold improvement in factory. Current income tax recoverable increased by HK\$9.5 million, or 16.1%, from HK\$59.0 million as at 31 December 2022 to HK\$68.5 million as at 31 December 2023. Increase in income tax recoverable was mainly associated with decrease in assessable profit under some subsidiaries of the Company.

As at 31 December 2023, total expected credit loss ("ECL") provision of about HK\$0.3 million, HK\$0.5 million, HK\$0.5 million, HK\$1.7 million and HK\$305.7 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 29 February 2024, the Group has collected a total of HK\$709.9 million representing 63.2% of the gross carrying amount of trade receivables as at 31 December 2023. Part of the remaining balances from customers come with longer payment terms, 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 increased by HK\$42.3 million, or 3.4%, from HK\$1,237.8 million as at 31 December 2022 to HK\$1,280.1 million as at 31 December 2023. Trade payables increased by HK\$81.5 million, or 8.4%, from HK\$965.4 million as at 31 December 2022 to HK\$1,046.9 million as at 31 December 2023. It was mainly associated with an increase in purchase of new series of GPUs and relevant materials before end of the year in order to get ready for the new product launches in January 2024. Other payables decreased by HK\$39.2 million, or 14.4%, from HK\$272.4 million as at 31 December 2022 to HK\$233.2 million as at 31 December 2023. The change was resulted from a decrease in provision of staff performance bonus and directors' profit sharing as at 31 December 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\$31.0 million, or 44.5%, from HK\$69.6 million as at 31 December 2022 to HK\$38.6 million as at 31 December 2023. Refund liabilities decreased by HK\$35.0 million, or 41.8%, from HK\$83.8 million as at 31 December 2022 to HK\$48.8 million as at 31 December 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 31 December 2023.

Contract liabilities has substantially decreased by HK\$15.5 million, or 20.3%, from HK\$76.5 million as at 31 December 2022 to HK\$61.0 million as at 31 December 2023. The change was mainly due to a decrease of customer prepayment to secure purchase of products as at 31 December 2023. Provision for product warranties increased by HK\$1.7 million, or 4.3%, from HK\$39.4 million as at 31 December 2022 to HK\$41.1 million as at 31 December 2023.

### ***Exposure to Fluctuation in Exchange Rates***

As at 31 December 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 three structured investment contract in 2023.

### ***Working Capital***

Inventories of the Group as at 31 December 2023 were HK\$1,135.5 million which decreased by HK\$696.4 million, or 38.0%, 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 especially the last generation and slow moving GPUs in order to minimize potential inventory risk. Inventory turnover days decreased from 66 days as at 31 December 2022 to 64 days as at 31 December 2023. The change was mainly associated with a significant decline in inventories as at 31 December 2023.

Trade receivables as at 31 December 2023 were HK\$814.6 million, which decreased by HK\$370.1 million, or 31.2%, as compared with HK\$1,184.7 million as at 31 December 2022. The change was a faster collection cycle being executed in the last quarter of the year, so that trade receivable turnover days has decreased from 41 days as at 31 December 2022 to 40 days as at 31 December 2023.

Trade payables as at 31 December 2023 were HK\$1,046.9 million, which increased by HK\$81.5 million, or 8.4%, as compared with HK\$965.4 million as at 31 December 2022. The change was associated with an additional purchase of new series of GPUs and relevant materials before end of the year in order to get ready for the production of new product launches in January 2024. Payment term on purchase of GPU was shorter than the payment terms offered on purchase of other most materials, so that trade payable turnover days decreased from 51 days as at 31 December 2022 to 43 days as at 31 December 2023.

### **Charges on Assets**

As at 31 December 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\$361.5 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 2023 amounted to HK\$35.6 million.

## **Capital Commitments**

As at 31 December 2023, total capital commitments amounted to HK\$15.9 million.

## **Contingent Liability**

Included in the sales of products to U.S.A. was the Group's own brand VGA cards, which are imported to U.S.A. as gaming component for custom declaration. During the year, the Group identified a classification issue on import declaration of VGA cards that U.S. Customs and Border Protection ("CBP") may treat VGA cards as computer component. Such classification would lead to a 25% tariff under China Section 301 Tariffs in a certain period of time and the maximum amount of the potential tariff approximates US\$25 million (approximately HK\$197 million).

The Group is of opinion that the VGA cards are specially designed and produced for gaming purposes and the classification under gaming component is proper. Under lawyer's advice, the Group took an initiative to rectify the declaration in CBP in order to avoid additional penalty on unreported tariff and subsequently would file a protest to CBP to request the clarity on the VGA card classification issue.

The Directors are of view that it was not probable that an outflow of economic benefits will be required on the above classification issue on declaration of imported goods to U.S.A.

## **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 2023.

## **Events After the Reporting Period**

Saved as disclosed herein, there are no important events that have occurred after the year ended 31 December 2023 and up to the date of this announcement.

## **Employee and Remuneration Policy**

As at 31 December 2023, the Group had 2,490 employees (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. 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**

There was no acquisition or disposal of property, plant or equipment during the year ended 31 December 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 (for the period from 1 January 2023 to 30 December 2023) and Appendix C1 (for 31 December 2023) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the deviation from code provisions C.2.1 and D.2.5 of the Code as explained below.



According to code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separate. However, for the year ended 31 December 2023, Mr. WONG Shik Ho Tony performed both roles of chairman and chief executive officer. As one of the founders of the Group, Mr. WONG has been actively involved in its daily business operation since its inception. He is in charge of strategic planning and corporate development with the assistance of the other Executive Directors. The Board consists of 10 Directors. Half of them are Non-Executive Directors (including 4 Independent Non-Executive Directors) with different professional or management expertise and it provides sufficient independent elements in the board composition. Considering that all major decisions are made after thorough discussions by the Board and the Independent Non-Executive Directors have always played an active role in discussion, the Board believes that the current structure is conducive to a strong and balanced corporate management, which is in the best interests of the shareholders of the Company.

Pursuant to code provision D.2.5 of the Code, the Company should have an internal audit function. However, during the year, the Company did not have an internal audit function but engaged an audit firm to conduct a regular review on its risk management and internal control systems. 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 evaluate the effectiveness of the Group's risk management and internal control systems. The Board considers that engaging the professional firm to perform the above review on an annual basis can offer an independent unbiased opinion and improve the 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 (for the period from 1 January 2023 to 30 December 2023) and Appendix C3 (for 31 December 2023) to the Listing Rules as the required standard for securities transactions by Directors. All Directors, after specific enquiries made by the Company, confirmed that they have complied with the required standard as set out in the Model Code during the year.

## **AUDIT COMMITTEE**

The Company established its Audit Committee on 21 December 2011 with written terms of reference. The Audit Committee acts as a liaison between the Board, its external and internal auditors (or professional firm which performs internal audit function for the Company) regarding the Company's financial reporting, internal controls, external and internal audits.

The Audit Committee consists of 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 audited consolidated financial statements of the Group for the year ended 31 December 2023.

### **SCOPE OF WORK OF BDO LIMITED**

The Group's auditor, BDO Limited, has confirmed the figures in the preliminary announcement of the Group's results for the year ended 31 December 2023 to be consistent with the amounts in the Group's audited consolidated financial statements for the year. However, the work performed by BDO Limited in this regard did not amount to an assurance engagement as per Hong Kong Standards on Auditing, Hong Kong standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and therefore BDO Limited has not expressed any assurance on the preliminary announcement.

### **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.pcpartner.com](http://www.pcpartner.com). The 2023 Annual Report of the Company will be published on the websites of HKEx and the Company in due course.

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

Hong Kong, 14 March 2024

*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 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*