

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2024

FINANCIAL HIGHLIGHTS

	Period ended 30 June		Change
	2024	2023	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue	4,944.2	4,175.4	18.4%
Gross profit	558.4	323.7	72.5%
Gross profit%	11.3%	7.8%	44.9%
Profit for the period attributable to owners of the Company	194.1	20.1	865.7%
Net profit%	3.9%	0.5%	680.0%

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 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		30 June 2024	30 June 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	4, 5	4,944,243	4,175,441
Cost of sales		<u>(4,385,891)</u>	<u>(3,851,689)</u>
Gross profit		558,352	323,752
Other revenue and other gains and losses, net	6	21,233	12,793
Selling and distribution expenses		(54,148)	(60,336)
Administrative expenses		(285,394)	(210,298)
Reversal of provision/(provision) for impairment loss on financial assets		6,258	(1,033)
Finance costs	7	<u>(17,842)</u>	<u>(35,163)</u>
Profit before income tax	8	228,459	29,715
Income tax	9	<u>(36,194)</u>	<u>(10,540)</u>
Profit for the period		<u>192,265</u>	<u>19,175</u>
Other comprehensive income, after tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign subsidiaries		<u>(4,571)</u>	<u>(3,513)</u>
Total comprehensive income for the period		<u><u>187,694</u></u>	<u><u>15,662</u></u>

	30 June	30 June
	2024	2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to:		
— Owners of the Company	194,060	20,102
— Non-controlling interests	(1,795)	(927)
	<u>192,265</u>	<u>19,175</u>
Total comprehensive income for the period attributable to:		
— Owners of the Company	189,489	16,589
— Non-controlling interests	(1,795)	(927)
	<u>187,694</u>	<u>15,662</u>
	<i>HK\$</i>	<i>HK\$</i>
Earnings per share	11	
— Basic	0.500	0.052
— Diluted	0.500	0.052

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		537,295	557,369
Right-of-use assets		82,230	92,559
Intangible assets		4,825	4,825
Other financial asset		1,268	1,268
Deferred tax assets		5,075	5,788
Trade and other receivables	12	13,122	5,664
Total non-current assets		643,815	667,473
Current assets			
Inventories		1,391,331	1,135,492
Trade and other receivables	12	1,024,699	894,097
Right of return assets		35,784	38,601
Current tax recoverable		65,179	68,487
Cash and bank balances		2,248,688	2,491,217
Total current assets		4,765,681	4,627,894
Total assets		5,409,496	5,295,367
Current liabilities			
Trade and other payables	13	1,300,429	1,280,048
Refund liabilities		43,957	48,837
Contract liabilities		77,573	60,957
Borrowings		956,183	982,426
Provision for product warranties and returns		35,331	41,124
Lease liabilities		30,693	30,164
Current tax liabilities		23,431	8,546
Total current liabilities		2,467,597	2,452,102

	30 June 2024	31 December 2023
<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Net current assets	<u>2,298,084</u>	<u>2,175,792</u>
Total assets less current liabilities	<u>2,941,899</u>	<u>2,843,265</u>
Non-current liabilities		
Lease liabilities	<u>57,567</u>	<u>69,050</u>
NET ASSETS	<u><u>2,884,332</u></u>	<u><u>2,774,215</u></u>
Capital and reserves		
Share capital	38,788	38,788
Reserves	<u>2,845,955</u>	<u>2,734,043</u>
Equity attributable to owners of the Company	<u>2,884,743</u>	<u>2,772,831</u>
Non-controlling interests	<u>(411)</u>	<u>1,384</u>
TOTAL EQUITY	<u><u>2,884,332</u></u>	<u><u>2,774,215</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 (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 2023 (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. CHANGES IN HKFRSs

The HKICPA has issued a number of amended HKFRSs that were adopted by the Group effective from 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
HK Interpretation 5 (2022)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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 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	
	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
<i>Primary geographical markets</i>		
Asia Pacific ("APAC")	2,167,457	1,438,821
North and Latin America ("NALA")	580,425	637,976
People's Republic of China ("PRC")	1,104,617	939,322
Europe, Middle East, Africa and India ("EMEAI")	1,091,744	1,159,322
	<u>4,944,243</u>	<u>4,175,441</u>
<i>Major products/services</i>		
	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Video graphics cards ("VGA Cards")	4,088,713	3,333,862
Electronics manufacturing services ("EMS")	346,008	358,903
Other PC related products and components	509,522	482,676
	<u>4,944,243</u>	<u>4,175,441</u>

Brand and non-brand businesses

	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 June 2023 <i>HK\$'000</i> (Unaudited)
Brand businesses	3,094,288	2,842,550
Non-brand businesses	<u>1,849,955</u>	<u>1,332,891</u>
	<u>4,944,243</u>	<u>4,175,441</u>

Timing of revenue recognition

	30 June 2024 <i>HK\$'000</i> (Unaudited)	30 June 2023 <i>HK\$'000</i> (Unaudited)
At a point in time	<u>4,944,243</u>	<u>4,175,441</u>

(b) Information about the major customer

During the six months ended 30 June 2024 and 2023, none of the customers contributed 10% or more of the Group's revenue.

5. REVENUE

Revenue represents the consideration to which the Group expects to be entitled in exchange for goods sold and service income earned by the Group excluding amounts collected on behalf of third parties.

The following table provides information about contract liabilities from contracts with customers.

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Contract liabilities	<u>77,573</u>	<u>60,957</u>

The contract liabilities mainly relate to the advance consideration received from customers and volume rebates and sales allowances to customers. HK\$32,349,000 of the contract liabilities as at 1 January 2024 and HK\$43,846,000 of the contract liabilities as at 1 January 2023 have been recognised as revenue for the six months ended 30 June 2024 and 2023 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

	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Government grants (<i>note</i>)	4,169	870
Interest income	38,901	21,409
Net exchange losses	(23,760)	(13,407)
Net fair value gains on derivative financial instruments	164	312
Gain on disposal of property, plant and equipment	214	34
Gain on termination of leases	—	5
Sundry income	1,545	3,570
	<u>21,233</u>	<u>12,793</u>

Note: The government grants 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 recognised.

7. FINANCE COSTS

	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Interest on bank advances and other borrowings	15,863	32,730
Interest on lease liabilities	1,979	2,433
	<u>17,842</u>	<u>35,163</u>

8. PROFIT BEFORE INCOME TAX

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

	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Inventories recognised as expense (Reversal of provision)/provision for obsolete inventories	4,395,086 (9,195)	3,820,312 31,377
Cost of sales	4,385,891	3,851,689
Staff costs	265,215	194,008
Depreciation of property, plant and equipment	33,803	39,066
Depreciation of right-of-use assets	16,077	16,034
(Reversal of provision)/provision for impairment losses on financial assets	(6,258)	1,033
Short-term lease expenses	301	134
Low-value asset lease expenses	12	12
Property, plant and equipment written off	—	1
Provision for product warranties and returns, net	252	1,868
Research and development expenditure (<i>note</i>)	37,416	39,340

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 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Current tax — Hong Kong		
— provision for the period	31,028	10,912
Current tax — PRC		
— provision for the period	4,370	23
Current tax — others		
— provision for the period	83	80
— under provision in respect of prior year	<u>—</u>	<u>48</u>
	35,481	11,063
Deferred tax		
— origination and reversal of temporary differences	<u>713</u>	<u>(523)</u>
Income tax expense	<u>36,194</u>	<u>10,540</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 six months ended 30 June 2024 and 2023, 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 2024 is 15% (2023: 15%). Other PRC subsidiaries of the Company are subject to PRC enterprise income tax at a statutory rate of 25% (2023: 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 2024.

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

10. DIVIDENDS

	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
2023 Final dividend declared — HK\$0.2 per share (2023: 2022 Final dividend declared — HK\$Nil per share)	77,577	—
2023 Special dividend declared — HK\$Nil per share (2023: 2022 Special dividend declared — HK\$0.25 per share)	—	96,971
Dividends declared for the period	<u>77,577</u>	<u>96,971</u>

The directors of the Company proposed an interim dividend of HK\$0.20 (2023: HK\$0.10) per share, totalling HK\$77,577,000 (2023: HK\$38,788,000) for the six months ended 30 June 2024. The interim dividend has not been recognised as liabilities at 30 June 2024.

Note: 2023 final dividend was subsequently paid on 24 July 2024.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the six months ended 30 June 2024 and 2023 is based on the following data:

Profit

	30 June 2024 HK\$'000 (Unaudited)	30 June 2023 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>194,060</u>	<u>20,102</u>

Shares in issue

	30 June 2024 (Unaudited)	30 June 2023 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	387,883,668	387,816,265
Effect of dilutive potential ordinary shares: — share options	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>387,883,668</u>	<u>387,816,265</u>

12. TRADE AND OTHER RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables at amortised cost	1,083,719	1,061,508
Less: Accumulated impairment losses	<u>(295,366)</u>	<u>(308,741)</u>
Trade receivables at amortised cost, net	<u>788,353</u>	<u>752,767</u>
Trade receivables at fair value through profit or loss	69,937	61,859
Other receivables	10,280	12,586
Prepayments and value added tax refundable	121,252	24,689
Deposits	53,558	53,419
Less: Accumulated impairment losses	<u>(5,559)</u>	<u>(5,559)</u>
	<u>47,999</u>	<u>47,860</u>
	<u>1,037,821</u>	<u>899,761</u>
Less: Other receivables — non-current portion	(2,164)	(2,155)
Prepayments — non-current portion	(6,501)	—
Rental deposits — non-current portion	<u>(4,457)</u>	<u>(3,509)</u>
	<u>(13,122)</u>	<u>(5,664)</u>
Trade and other receivables — current portion	<u>1,024,699</u>	<u>894,097</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 reporting period is as follows:

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Within 1 month	418,654	403,872
Over 1 month but within 3 months	356,062	316,703
Over 3 months but within 1 year	11,287	29,703
Over 1 year	<u>2,350</u>	<u>2,489</u>
	<u>788,353</u>	<u>752,767</u>

The credit period on sales of goods is 14 to 90 days (2023: 14 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 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Within 1 month	25,682	22,221
Over 1 month but within 3 months	<u>44,255</u>	<u>39,638</u>
	<u>69,937</u>	<u>61,859</u>

13. TRADE AND OTHER PAYABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade payables	968,394	1,046,866
Provision of employee benefit	141,934	89,027
Other tax payable	36,783	37,315
Other payables and accruals	153,318	106,840
	<u>1,300,429</u>	<u>1,280,048</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 reporting period is as follows:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 1 month	628,214	714,376
Over 1 month but within 3 months	295,025	291,472
Over 3 months but within 1 year	39,665	36,587
Over 1 year	5,490	4,431
	<u>968,394</u>	<u>1,046,866</u>

14. CONTINGENT LIABILITY

Included in the sales of products to the U.S.A. was the Group's own brand VGA cards, which are imported to U.S.A. under the tariff code for video game consoles and machines for custom declaration. In 2023, the Group identified a classification issue on import declaration of VGA cards that U.S. Customs and Border Protection ("CBP") determined these VGA cards HTSUS Code 8473.30.1180 (for "parts and accessories of the machines of heading 8471 (for "parts and accessories of the machines of heading 847117, not incorporating a cathode ray tube") which falls under List 3 of the Section 301 of the U.S. Trade Act of 1974 (the "China Section 301 Tariff"). Such classification would lead to a 25% tariff under China Section 301 Tariff for products imported during certain different periods 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.

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 the U.S.A.

In July 2024, the Group filed a litigation protest to CBP to put forth that no tariffs should be payable for these products imported during certain different periods.

At date of this announcement, the Group had paid US\$11.8 million (approximately HK\$91.9 million) of the total contingent liability of US\$25 million (approximately HK\$197 million) in connection with filing the litigation protest and consequently, this payment was recorded as other receivable in the condensed consolidated statement of financial position.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.20 per share, totalling HK\$77.6 million for the six months ended 30 June 2024 (2023: HK\$0.10 per share, totalling HK\$38.8 million) to be paid on or about 16 October 2024 (Wednesday) to shareholders whose names appear on the Company's register of members on 27 September 2024 (Friday).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 September 2024 (Wednesday) to 27 September 2024 (Friday) (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 24 September 2024 (Tuesday) for registration of the relevant transfer.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group manufactures VGA Cards for ODM/OEM customers and also manufactures and markets VGA Cards and other PC products under its own brands, namely ZOTAC, Inno3D and Manli. With a well established reputation and the global business network, the Group is reaching out to customers for both ODM/OEM and brand business across different regions with supporting employees and sales representatives located in various countries.

The Group's business relationships with NVIDIA and AMD, the two globally dominant GPU suppliers, enable the Group to develop cost-competitive, high-performance products and solutions to serve its customers.

The Group provides EMS to globally recognised brands, including major providers of Automatic Teller Machines ("ATM") and POS systems and various types of consumer electronic products. Certain EMS customers of the Group are introduced to our Group through sales agency or industry referrals from trade connections.

Aside from VGA Cards and the EMS businesses, the Group also designs, develops, manufactures and sells other PC-related products such as computers, motherboards, and other products under its own ZOTAC brand and further derives revenue from trading of these products and components.

Business Performance

Revenue in the first half of FY2024 had experienced a rebound for approximately 18.4% from HK\$4,175.4 million in the first half of FY2023 to HK\$4,944.2 million in the first half of FY2024. The change was driven by an increase in sales of VGA Cards mainly due to more orders on ODM/OEM VGA Cards in the first half of FY2024. VGA Cards business has recorded an increase of HK\$754.8 million, or 22.6%, from HK\$3,333.9 million in the first half of FY2023 to HK\$4,088.7 million in the first half of FY2024.

A major part of the increase in VGA Cards was contributed by more ODM/OEM orders which achieved a greater increase in sales revenue as compared to the increase of own brand VGA Cards business. Sales of ODM/OEM VGA Cards increased by HK\$492.3 million, or 87.4%, from HK\$563.1 million in the first half of FY2023 to HK\$1,055.4 million in the first half of FY2024. Besides an increase of regular orders under the ODM/OEM VGA Cards segment, new ODM/OEM projects utilising NVIDIA's "SUPER" series GPUs together with the "RTX4090 D" model designated for the PRC market had contributed a significant part of the growth in the first half of FY2024.

Sales of own brand VGA Cards increased by HK\$262.5 million, or 9.5%, from HK\$2,770.8 million in the first half of FY2023 to HK\$3,033.3 million in the first half of FY2024. The increase was contributed by the new VGA Cards utilising the new NVIDIA's "SUPER" series GPUs, which had also received positive market feedback and turned into a higher sales revenue for the period under review.

The EMS business has recorded a decrease of HK\$12.9 million, or 3.6%, from HK\$358.9 million in the first half of FY2023 to HK\$346.0 million in the first half of FY2024. Although the major customer on ATM and POS systems had placed more orders, the increase of such orders was not able to offset the decline in orders from other customers.

Sales of other PC related products and components business increased by HK\$26.9 million, or 5.6%, from HK\$482.6 million in the first half of FY2023 to HK\$509.5 million in the first half of FY2024. It was mainly due to more orders on ODM/OEM projects for motherboard together with a higher level of components trade offsetting the decline of the mini-PC business.

Revenue of brand business increased by HK\$251.8 million, or 8.9%, from HK\$2,842.5 million in the first half of FY2023 to HK\$3,094.3 million in the first half of FY2024. It was mainly contributed by the sales of VGA Cards especially the new "SUPER" series VGA Cards which had offset the decline in the sales of other product lines such as mini-PCs.

The non-brand business which includes component trade has recorded an increase in revenue of HK\$517.0 million, or 38.8%, from HK\$1,332.9 million in the first half of FY2023 to HK\$1,849.9 million in the first half of FY2024. The change was mainly due to a higher sales on ODM/OEM VGA Cards segment which offset the drop of EMS and other product segments.

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”).

Outlook

A key upcoming agenda is to expand the Group’s geographical presence with new global headquarter setup in Singapore to be the Group’s principal place of decision making to direct, control and coordinate all business and operational activities. This move is part of the Group’s strategy to expand its footprint in the Southeast Asian region, including a set-up of new manufacturing facility in Batam, Indonesia which is envisaged to be operational before end of 2024. Diversifying from “Greater China” nexus will allow the Group to further diversify and enhance the growth of the Group’s businesses as the Company sees potential increase in business opportunities after the Group has set up its manufacturing facility in Indonesia, in line with the “China+1 approach” that is becoming an increasingly common requirement amongst the Group’s customers.

The VGA Card industry continues experiencing a steady growth, propelled by increasing demand from both the gaming and industrial sectors. Key technological advancements including innovations in ray tracing and AI-accelerated rendering continue to drive this uptrend in demand. The growing popularity of PC gaming, particularly with respect to immersive games requiring high frame rates and resolutions, has further fuelled the demand for high-performance VGA Cards among enthusiast consumers. Although the sales of the coming third quarter may be slower than those of the past two quarters which were driven by the new products with NVIDIA’s “SUPER” series GPUs, it is expected that the introduction of new VGA Cards with the next-generation GPU will further drive robust demand, resulting in a strong sales performance and improved profit margins.

GPU server market has seen significant growth in recent years, driven by the increasing demand for high-performance computing in various industries. The Group launched a new product line of GPU servers designed specifically for AI and machine learning applications earlier this year to capture the fast growing opportunities. In addition, the Group had developed other products such as handheld PCs and medical-grade computers to diversify the product lines.

The Group also recognises that the future of AI PCs will require powerful GPUs and/or VGA Cards to deliver efficient performance and meet consumer expectations. Rising popularity and prevalence of AI PCs represents a revolutionary advancement in the computer industry, with the potential to make a substantial contribution to the future success of the Company.

Financial Review

Revenue

Revenue recorded an increase of HK\$768.8 million, or 18.4%, from HK\$4,175.4 million in the first half of FY2023 to HK\$4,944.2 million in the first half of FY2024. The Group experienced an increase in sales of VGA Cards especially under the ODM/OEM business segment.

The VGA Cards segment recorded an increase of HK\$754.8 million, or 22.6%, from HK\$3,333.9 million in the first half of FY2023 to HK\$4,088.7 million in the first half of FY2024. The launch of NVIDIA's "SUPER" series focusing on high-end GPUs had a positive contribution to the sales of both brand business and ODM/OEM VGA Cards as the "SUPER" series had received positive consumer and market feedback in terms of its price to performance ratio. In addition, the Group received more ODM/OEM orders for both entry level and the "SUPER" series VGA Cards.

Sales of brand business VGA Cards increased by HK\$262.5 million, or 9.5%, from HK\$2,770.8 million in the first half of FY2023 to HK\$3,033.3 million in the first half of FY2024. The change was mainly attributable to sales volume increase especially in the PRC region. In addition, sales of brand business VGA Cards utilising NVIDIA's "SUPER" series GPUs with a better price to performance ratio had achieved a greater sales as compared to the non "SUPER" high end series.

Sales of ODM/OEM VGA Cards increased by HK\$492.3 million, or 87.4%, from HK\$563.1 million in the first half of FY2023 to HK\$1,055.4 million in the first half of FY2024. The change was mainly due to more ODM/OEM orders from a few major customers and projects utilising NVIDIA's "SUPER" series GPUs. In addition, ODM/OEM projects on "RTX4090 D" model designated for the PRC market had also received a strong demand from customers. The increase was contributed by both the "SUPER" series and the "RTX4090 D" model generating higher sales revenue with higher ASPs and an overall increase in sales volume of ODM/OEM VGA cards for the period under review.

The EMS business recorded a decline of HK\$12.9 million, or 3.6%, from HK\$358.9 million in the first half of FY2023 to HK\$346.0 million in the first half of FY2024. Although the Group has received more orders in relation to ATM and POS systems, it was not able to fully offset the decline in orders from other customers under the EMS segment.

Sales of other PC related products and components increased by HK\$26.9 million, or 5.6%, from HK\$482.6 million in the first half of FY2023 to HK\$509.5 million in the first half of FY2024. The change was mainly resulted from a higher sales on component trade together with more motherboard projects which offset the decline in sales of mini-PCs.

Revenue of brand business increased by HK\$251.8 million, or 8.9%, from HK\$2,842.5 million in the first half of FY2023 to HK\$3,094.3 million in the first half of FY2024. The non-brand business which includes component trade recorded an increase in revenue of HK\$517.0 million, or 38.8%, from HK\$1,332.9 million in the first half of FY2023 to HK\$1,849.9 million in the first half of FY2024. The change of non-brand business was mainly contributed by more orders from customers for ODM/OEM VGA Cards. New VGA Cards with NVIDIA's "SUPER" series GPUs had also positively contributed to the sales revenue of both brand business and non-brand business segments for the period.

Revenue by geographical regions

Regional business performance was affected by geopolitical issues, government policies, and the economies of different regions and countries. The APAC region and the PRC region recorded an increase in revenue of 50.6% and 17.6% respectively. However, revenue from the NALA and EMEAI regions recorded a drop of 9.0% and 5.8% respectively.

APAC Region

In the APAC region, revenue increased by HK\$728.7 million, or 50.6%, from HK\$1,438.8 million in the first half of FY2023 to HK\$2,167.5 million in the first half of FY2024. The change was mainly due to more ODM/OEM orders for VGA Cards as well as a strong demand of both the ODM/OEM and own brand VGA Cards utilising NVIDIA's "SUPER" series GPUs that had higher ASPs and volume for the period.

NALA Region

In the NALA region, revenue amounted to HK\$580.4 million in the first half of FY2024, representing a decrease of HK\$57.6 million, or 9.0%, as compared to HK\$638.0 million in the first half of FY2023. The change was mainly due to a lack of the top-of-the-line RTX 4090 VGA Cards selling in the first half of FY2024 that used to contribute HK\$98.2 million in the first half of FY2023. The sales of new VGA Cards with NVIDIA's "SUPER" GPU series had mitigated the decline in sales volume for the region. In addition, stronger sales in Latin America had partly offset a decline in U.S. market sales.

PRC Region

In the PRC region, revenue amounted to HK\$1,104.6 million in the first half of FY2024, representing an increase of HK\$165.3 million, or 17.6%, as compared to HK\$939.3 million in the first half of FY2023. The change was primarily due to an increase in sales

of brand VGA Cards and the new RTX4090 D GPU that was developed specially for the PRC market has also contributed a part of the sales increase under brand and ODM/OEM business segments for the period under review.

EMEA Region

In the EMEA region, revenue amounted to HK\$1,091.7 million in the first half of FY2024, representing a decrease of HK\$67.6 million, or 5.8%, as compared to HK\$1,159.3 million in the first half of FY2023. Demand in the region declined due to high interest rates which discouraged spending on high ASP products such as VGA Cards. In addition, there was a lack of top-of-the-line RTX 4090 VGA Cards selling in the region in the first half of FY2024 that used to contributed HK\$177.2 million in the first half of FY2023. However, the launch of the new VGA Cards with NVIDIA's "SUPER" GPU series had received positive market feedback which mitigated part of the sales decline in the first half of FY2024.

Cost of sales

Raw material costs increased by HK\$550.5 million, or 14.8%, from HK\$3,731.6 million in the first half of FY2023 to HK\$4,282.1 million in the first half of FY2024 in-line with the sales increase in the first half of FY2024. Raw material costs as a percentage of sales decreased by 2.7% from 89.3% in the first half of FY2023 to 86.6% in the first half of FY2024, which was mainly due to a demand for the new VGA Cards with NVIDIA's "SUPER" series GPUs which did not require significant sales promotions or discounts in the first half of FY2024. There was also significantly fewer price promotion activities and discounts for clearance of end-of-life brand business VGA Cards for the first half of FY2024 relative to the first half of FY2023. The Group's conversion cost which consists of direct labour and production overheads decreased by HK\$16.4 million, or 13.7%, from HK\$120.1 million in the first half of FY2023 to HK\$103.7 million in the first half of FY2024. It was mainly due to a total increase in sales volume of ODM/OEM and brand VGA Cards by 21.4% together with a continuous enhancement of the manufacturing efficiency.

Gross profit and margin

The Group's gross profit in the first half of FY2024 was HK\$558.4 million, representing an increase of HK\$234.7 million, or 72.5%, as compared with HK\$323.7 million in the first half of FY2023. Gross profit margin was 11.3% in the first half of FY2024 as compared with 7.8% in the first half of FY2023. The increase was mainly due to an increase in sales of ODM/OEM VGA Cards together with a high demand for the new VGA Cards with NVIDIA's "SUPER" series GPUs which had contributed a higher gross profit margin that did not require significant sales promotions or discounts in the first half of FY2024. In addition, there was also significantly fewer price promotion activities and discounts for end-of-life brand business VGA Cards in the first half of FY2024.

Other revenue and other gains and losses, net

Other revenue and other gains and losses, net increased by HK\$8.4 million, or 65.6%, from HK\$12.8 million in the first half of FY2023 to HK\$21.2 million in the first half of FY2024. The change was mainly due to a significant increase in interest income of HK\$17.5 million from HK\$21.4 million in the first half of FY2023 to HK\$38.9 million in the first half of FY2024. In addition, the Group received an increase in government grants of HK\$3.3 million from HK\$0.9 million in the first half of FY2023 to HK\$4.2 million in the first half of FY2024. The above items had fully offset the net exchange losses that increased by HK\$10.4 million from HK\$13.4 million in the first half of FY2023 to HK\$23.8 million in the first half of FY2024.

Selling and distribution expenses

Selling and distribution expenses decreased by HK\$6.1 million, or 10.1%, from HK\$60.3 million in the first half of FY2023 to HK\$54.2 million in the first half of FY2024. The change was mainly due to a decrease in advertising and marketing expenses in the first half of FY2024 as compared to the first half of FY2023 because the new VGA Cards with NVIDIA's "SUPER" series GPUs received good market response which required fewer sales and marketing activities to stimulate product sales. In addition, the Group had incurred less on sales promotion activities on end-of-life brand business VGA Cards since most of the end-of-life VGA Cards had been cleared in FY2023.

Administrative expenses

Administrative expenses were HK\$75.1 million higher than the corresponding period, which represents an increase by 35.7% from HK\$210.3 million in the first half of FY2023 to HK\$285.4 million in the first half of FY2024. Staff costs and directors' remuneration increased by HK\$69.5 million, or 45.8%, from HK\$151.8 million in the first half of FY2023 to HK\$221.3 million in the first half of FY2024. This was mainly associated with a provision for staff performance bonus and directors' profit sharing due to the increase in profit in the first half of FY2024. Other administrative expenses increased by HK\$5.6 million, or 9.6%, from HK\$58.5 million in the first half of FY2023 to HK\$64.1 million in the first half of FY2024 mainly due to additional expenses on professional and consultation fees in the first half of FY2024.

Impairment losses on financial assets

Impairment losses on financial assets decreased by HK\$7.3 million from provision for impairment loss of HK\$1.0 million in the first half of FY2023 to reversal of provision for impairment loss of HK\$6.3 million in the first half of FY2024. This was mainly due to reversal of provision of impairment loss of a customer in the first half of FY2024.

Finance costs

Finance costs decreased by HK\$17.4 million, or 49.4%, from HK\$35.2 million in the first half of FY2023 to HK\$17.8 million in the first half of FY2024. The change was mainly due to a decline in bank borrowings as the Group relied more on surplus internal reserves and cash to finance the majority of its procurement needs in the first half of FY2024.

Income tax expenses

Income tax expenses of HK\$36.2 million were recorded in the first half of FY2024, which represents an increase by HK\$25.7 million, or 244.8%, from HK\$10.5 million in the first half of FY2023. The change was mainly due to an increase in profit of some of the major operating subsidiaries of the Company for the first half of FY2024.

Profit for the period attributable to Owners of the Company

As a result of the above factors, the Group recorded a profit attributable to owners of the Company of HK\$194.1 million in the first half of FY2024 as compared to a profit attributable to owners of the Company of HK\$20.1 million in the first half of FY2023. The increase in profit was mainly due to an improvement in gross profit margin which offset higher expenses for the period.

Earnings per share and Dividends

The profit attributable to owners of the Company in the first half of FY2024 was HK\$194.1 million which resulted in basic earnings of HK\$0.500 per share and diluted earnings of HK\$0.500 per share. Profit attributable to owners of the Company in the first half of FY2023 was HK\$20.1 million with basic earnings of HK\$0.052 per share and diluted earnings of HK\$0.052 per share. In view of the financial performance for the first half year of FY2024 together with a strong net cash position, the Board declares an interim dividend of HK\$0.20 per share for the period ended 30 June 2024 and it is estimated to be HK\$77.6 million in total.

Liquidity and Financial Resources

Financial Position

Non-current assets

The Group's total non-current assets decreased by HK\$23.7 million, or 3.6%, from HK\$667.5 million as at 31 December 2023 to HK\$643.8 million as at 30 June 2024. 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\$20.1 million, or 3.6%, from HK\$557.4 million as at 31 December 2023 to HK\$537.3 million as at 30 June 2024. The change was mainly due to a lower depreciation of property, plant and equipment in the first half of FY2024 of HK\$33.8 million when compared to the same period in last year of HK\$39.1 million. The Group incurred less on capital expenditure of HK\$13.8 million in the first half of FY2024 as compared to HK\$35.6 million in FY2023. The capital expenditure associated with factory automation to increase productivity amounted to HK\$1.3 million in the first half of FY2024.

Right-of-use assets decreased by HK\$10.4 million, or 11.2%, from HK\$92.6 million as at 31 December 2023 to HK\$82.2 million as at 30 June 2024, mainly due to the depreciation of right-of-use assets under lease contracts of land and buildings.

Intangible assets consist of brand name and goodwill which were acquired through acquisitions of businesses. Goodwill has been fully impaired. As the valuation of the brand name using the income-based approach is higher than its carrying value, there was no impairment loss of the brand name and the carrying value remained unchanged as at 30 June 2024.

Other financial assets consist of an investment in 1% of the preferred stock of a private and unrelated company incorporated in the USA. The Group had irrevocably elected at initial recognition to measure the investment at fair value through other comprehensive income and no dividends have been received since the Group made the investment in a virtual reality experience company in the year of 2017. There was no impairment loss recognised, so the carrying value remained unchanged as at 31 December 2023 and 30 June 2024 at HK\$1.2 million.

Deferred tax assets decreased by HK\$0.7 million, or 12.1%, from HK\$5.8 million as at 31 December 2023 to HK\$5.1 million as at 30 June 2024 mainly due to the utilisation of accumulated tax losses as higher profit was recorded in the first half of FY2024.

Trade and other receivables consist of rental deposits and other receivables amounting to HK\$4.5 million and HK\$8.7 million respectively as at 30 June 2024. Trade and other receivables under non-current assets increased by HK\$7.5 million, or 131.6%, from HK\$5.7 million as at 31 December 2023 to HK\$13.2 million as at 30 June 2024 mainly due to new rental deposit paid for a new leased property in Indonesia together with prepayments paid for acquisition of property, plant and equipment.

Current assets

The Group's total current assets increased by HK\$137.8 million, or 3.0%, from HK\$4,627.9 million as at 31 December 2023 to HK\$4,765.7 million as at 30 June 2024. The change was mainly due to an increase in inventories and trade and other receivables which offset a decline in cash and bank balances.

Inventories of the Group as at 30 June 2024 were HK\$1,391.3 million which increased by HK\$255.8 million, or 22.5%, as compared with HK\$1,135.5 million as at 31 December 2023. Inventories increased across raw materials, work-in-progress goods and finished goods to fulfill the sales demand and purchase orders. Raw materials increased by HK\$97.5 million, or 16.9%, from HK\$575.3 million as at 31 December 2023 to HK\$672.8 million as at 30 June 2024. Finished goods increased by HK\$151.0 million, or 27.9%, from HK\$541.1 million as at 31 December 2023 to HK\$692.1 million as at 30 June 2024. Work-in-process goods increased by HK\$7.3 million, or 38.2%, from HK\$19.1 million as at 31 December 2023 to HK\$26.4 million as at 30 June 2024 due to production ramping up to fulfill the sales demand.

Trade and other receivables under current assets consisting of trade receivables at amortised cost, trade receivables at fair value through profit and loss, other receivables, deposits and prepayment, increased by HK\$130.6 million, or 14.6%, from HK\$894.1 million as at 31 December 2023 to HK\$1,024.7 million as at 30 June 2024. Trade receivables at amortised cost increased by HK\$35.7 million, or 4.7%, from HK\$752.7 million as at 31 December 2023 to HK\$788.4 million as at 30 June 2024. The increase was mainly due to an increase in sales during the period under review, which resulted in a higher trade receivables balance as at 30 June 2024. Trade receivables at fair value through profit or loss increased by HK\$8.0 million, or 12.9%, from HK\$61.9 million as at 31 December 2023 to HK\$69.9 million as at 30 June 2024.

As at 30 June 2024, total expected credit loss (“ECL”) provision of about HK\$1.1 million, HK\$3.3 million, HK\$2.1 million, HK\$4.8 million and HK\$284.1 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 2023, total 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 July 2024, the Group has collected a total of HK\$474.6 million representing 41.1% of the gross carrying amount of trade receivables as at 30 June 2024. 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.

Other receivables, deposits and prepayment under current assets increased by HK\$86.9 million, or 109.3%, from HK\$79.5 million as at 31 December 2023 to HK\$166.4 million as at 30 June 2024. This was mainly associated with the rectification of duties payable to the United States Customs & Border Protection in respect of the Group’s VGA Cards imported in FY2021, in the first half of FY2024.

Right of return assets decreased by HK\$2.8 million, or 7.3%, from HK\$38.6 million as at 31 December 2023 to HK\$35.8 million as at 30 June 2024. The change was mainly due to a decrease in sales return for credit by end of June 2024.

Current income tax recoverable decreased by HK\$3.3 million, or 4.8%, from HK\$68.5 million as at 31 December 2023 to HK\$65.2 million as at 30 June 2024. The decrease in income tax recoverable was mainly due to an increase in assessable profit of certain subsidiaries of the Company.

The Group's cash and bank balances decreased by HK\$242.5 million, or 9.7%, from HK\$2,491.2 million as at 31 December 2023 to HK\$2,248.7 million as at 30 June 2024. This was mainly due to higher utilization of surplus cash on hand to finance procurement and operations in the first half of FY2024.

Current liabilities

The Group's total current liabilities increased by HK\$15.4 million, or 0.6%, from HK\$2,452.2 million as at 31 December 2023 to HK\$2,467.6 million as at 30 June 2024. The change was mainly due to a decrease in bank borrowings and provision for product warranties and returns.

Trade and other payables increased by HK\$20.3 million, or 1.6%, from HK\$1,280.1 million as at 31 December 2023 to HK\$1,300.4 million as at 30 June 2024. Trade payables decreased by HK\$78.5 million, or 7.5%, from HK\$1,046.9 million as at 31 December 2023 to HK\$968.4 million as at 30 June 2024. The change was mainly due to payment to some vendors with shorter payment terms in the first half of FY2024. Other payables increased by HK\$98.8 million, or 42.4%, from HK\$233.2 million as at 31 December 2023 to HK\$332.0 million as at 30 June 2024. The increase resulted from an increase in dividend payable, the provision for staff performance bonus and directors' profit sharing as at 30 June 2024.

Refund liabilities relate to the customer's right of return of defective products within the warranty period. At the point of sales, a refund liability and a corresponding adjustment to revenue is recognised for products expected to be returned. The Group uses its accumulated historical experience to estimate the sales amount of returned goods. Refund liabilities decreased by HK\$4.8 million, or 9.8%, from HK\$48.8 million as at 31 December 2023 to HK\$44.0 million as at 30 June 2024, mainly due to lower returns of goods in the first half of FY2024.

Contract liabilities increased by HK\$16.6 million, or 27.2%, from HK\$61.0 million as at 31 December 2023 to HK\$77.6 million as at 30 June 2024. The change was mainly due to an increase in customer prepayments to secure purchase of products as at 30 June 2024.

The Group's bank borrowings decreased by HK\$26.2 million, or 2.7%, from HK\$982.4 million as at 31 December 2023 to HK\$956.2 million as at 30 June 2024. This was mainly due to the Group utilising free cash flow to finance procurement and operations in the first half of FY2024.

Under the terms of certain sales agreements of the Group, the Group will rectify any product defects and returns arising within the warranty period. A Provision for product warranties and returns is therefore made for the best estimate of the expected settlement of warranty under such sales agreements. The amount of provision takes into account the Group's recent claim experience and is only made where a warranty claim is probable. The provision for product warranties decreased by HK\$5.8 million, or 14.1%, from HK\$41.1 million as at 31 December 2023 to HK\$35.3 million as at 30 June 2024. This was mainly due to less spending on product warranties which resulted in a decrease of the provision.

The Group leases a number of properties in the jurisdictions where it operates. The terms of property leases vary from jurisdictions. The lease terms of contracts are generally from 1 to 10 years which include the period covered by extension options. The Group also leases offices, testing equipment and motor vehicles. All leases comprise only fixed payments over the lease terms. The current lease liability increased by HK\$0.5 million, or 1.7%, from HK\$30.2 million as at 31 December 2023 to HK\$30.7 million as at 30 June 2024. The change was mainly due to an increase in lease liabilities in accordance with the modification of leases of leased properties.

Income tax payables increased by HK\$14.8 million, or 172.1%, from HK\$8.6 million as at 31 December 2023 to HK\$23.4 million as at 30 June 2024. The change was mainly associated with a higher profit being achieved under some of the Group entities.

Non-current liability

Non-current liability consists of non-current lease liabilities which decreased by HK\$11.4 million, or 16.5%, from HK\$69.0 million as at 31 December 2023 to HK\$57.6 million as at 30 June 2024. The decrease was mainly due to amortization of the lease liabilities in accordance with the lease terms of leased properties.

Equity

As at 30 June 2024, total equity amounted to HK\$2,884.3 million. This comprised issued capital of HK\$38.8 million, non-controlling interests of HK\$0.4 million and reserves of HK\$2,845.9 million comprising share premium, translation reserve, merger reserve, other reserve, legal reserve, financial asset reserve, shared-based payment reserve and retained earnings.

Working Capital

Inventories of the Group as at 30 June 2024 were HK\$1,391.3 million which increased by HK\$255.8 million, or 22.5%, as compared with HK\$1,135.5 million as at 31 December 2023. Inventory turnover days decreased from 64 days as at 31 December 2023 to 52 days as at 30 June 2024. The change was mainly due to a strong sales demand which has driven the inventory turnovers faster than the end of last year.

Trade receivables as at 30 June 2024 were HK\$858.3 million, which increased by HK\$43.7 million, or 5.4%, as compared with HK\$814.6 million as at 31 December 2023, so that trade receivable turnover days has decreased from 40 days as at 31 December 2023 to 31 days as at 30 June 2024. The change was mainly associated with a higher sales revenue reflecting a strong demand of product sales which resulted in a faster collection from customers.

Trade payables as at 30 June 2024 were HK\$968.4 million, which decreased by HK\$78.5 million, or 7.5%, as compared with HK\$1,046.9 million as at 31 December 2023. Payment term on purchase of GPU was shorter than the usual payment terms offered on purchase of most other most materials, so that trade payable turnover days decreased slightly from 43 days as at 31 December 2023 to 42 days as at 30 June 2024.

Cash Flow Analysis

Net Cash from Operating Activities

Net cash from operating activities was HK\$558.5 million in the first half of FY2024 which was significantly lower than the first half of FY2023. Although profit before income tax was HK\$228.5 million for the first half of FY2024, the increase in net working capital was significantly lower than previous periods, mainly due to cash outflows on inventories of HK\$246.4 million and trade and other receivables of HK\$128.3 million for the first half of FY2024.

Net Cash from Investing Activities

Net cash from investing activities was HK\$55.8 million in the first half of FY2024. This was mainly due to more withdrawal of time deposits with initial maturity of over three months as compared to the placements of time deposits with initial maturity of over three months in the first half of FY2024, as well as higher interest received for the first half of FY2024.

Net Cash used in Financing Activities

Net cash used in financing activities of HK\$817.6 million in the first half FY2024 mainly comprised of repayment of import loans of HK\$797.5 million. The Group utilised surplus cash to finance procurement and operations instead of bank borrowings which resulted in a lower utilisation of import loans for the first half of FY2024.

Exposure to Fluctuation in Exchange Rates

The Group's reporting currency is in HKD. As at 30 June 2024, 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 USD, RMB, EUR, KRW and JPY. The appreciation or depreciation in the value of other currency other than the functional currencies of our subsidiaries will have either a positive or negative effect on the financial results of our Group. The Group entered into three structured investment contract in FY2023 and one structured investment contract in the first half of FY2024.

Charges on Assets

As at 30 June 2024, 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\$357.3 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.

The Group's net cash to equity ratio (being cash and bank balances minus debts divided by total equity) decreased from 50.8% as at 31 December 2023 to 41.8% as at 30 June 2024. The change was mainly due to a decrease of cash and bank balances and borrowings and an increase in total equity as at 30 June 2024. Gearing ratio was not presented as the Group was at a net cash position as at 31 December 2023 and 30 June 2024.

Capital Expenditure

The Group's additions to property, plant and equipment in the first half of FY2024 amounted to HK\$13.8 million.

Capital Commitments

The Group had entered capital commitment contracts for the acquisition of property, plant and equipment amounting to HK\$101.2 million as at 30 June 2024 and will be financed by internally generated funds.

Contingent Liability

The Group has recorded a contingent liability of US\$25 million resulting from the potential imposition of a 25.0% import tariff by the United States Customs & Border Protection (“U.S. CBP”) under Section 301 of the USA Trade Act of 1974 which was implemented in four phases in respect of a distinct list of targeted products based on the Harmonized Tariff Schedule of the United States (“HTSUS”) Code (List 1, List 2, List 3, and List 4 (comprising List 4A and List 4B)) with effect from 6 April 2018 to 17 May 2019 (the “China Section 301 Tariff”).

Under the China Section 301 Tariff, certain goods are subject to additional duty if such goods are imported from foreign countries that violate U.S. trade agreements or engage in acts that are “unjustifiable” or “unreasonable” and burden U.S. commerce at a range of 10% to 25%, depending on, amongst others, the tariff code of the imported goods. This includes the import of certain goods from the PRC, subject to certain exclusions granted by the Office of the U.S. Trade Representative (“USTR”).

The Group exports its VGA Cards to the USA, where it has a large customer base. In this connection, the Group had made a prior disclosure to the U.S. CBP in respect of its import entries (“Selected Entries”) for the period between 30 July 2020 to 2 January 2023 made under the tariff code for video game consoles and machines (which falls under List 4B of the China Section 301 Tariff and would therefore attract neither normal trade relations (“NTR”) duties nor additional duty under the China Section 301 Tariff). Subsequently, the U.S. CBP determined that the Group’s VGA Cards should have been classified under another HTSUS Code which does not attract NTR duties but falls under List 3 of the China Section 301 Tariff instead, and requested that the Group submit a post summary correction for the Selected Entries. As a result of the foregoing, the Group was subject to a 25% China Section 301 Tariff being imposed on its VGA Cards imported to the U.S. between 1 January 2021 and 11 October 2021 (“Gap Period”), where List 3 products were not excluded from the China Section 301 Tariff.

While the Group maintains that the VGA Cards are specifically designed and produced for gaming purposes and thus should be classified as “gaming components”, the Group voluntarily sought to rectify its declaration as to the classification of its VGA Cards with the U.S. CBP to avoid additional penalties on unreported tariffs, and has since 1 March 2023 imported the relevant VGA Cards under such “corrected” HTSUS Code. List 3 Products are excluded from the 25% Section 301 Tariff until 31 May 2025.

The Group has assessed that the estimated potential amount of the potential tariff arising from the HTSUS reclassification of the Group’s import of VGA Cards during the Gap Period is estimated to be approximately US\$25 million (approximately HK\$197 million), for which the Company is requesting a refund.

The Group has also engaged BDO USA, PC (“BDO U.S.”) to conduct a tariff classification analysis and file an appeal with the U.S. CBP, so that it may seek clarity on the issue. The Group has filed a litigation protest (“Protest”) with the U.S. CBP on 2 July 2024, which, among others, puts forth that no tariffs should be payable during the Gap Period (notwithstanding that the product exclusion scheme was not available), on the same basis as that invoked in another similar case pending a decision before the U.S. Court of Appeals for the Federal Circuit.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2024, there is no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments or Capital Assets

The Group has plans to apply for listing on the Singapore Exchange and then delist from the Stock Exchange. In addition, the Group will establish a global headquarter in Singapore as well as setup a new manufacturing plant in Batam, Indonesia.

Events after the Reporting Period

Save as disclosed herein, there are no important events that have occurred after the interim period ended 30 June 2024 and up to the date of this announcement.

Employee and Remuneration Policy

As at 30 June 2024, the Group had 2,343 employees (2023: 2,490 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.

The Company terminated the 2016 share option scheme on 17 July 2024. The maximum number of shares in respect of which options might be granted under the scheme mandate limit of the 2016 Share Option Scheme was only 7,961,866, representing approximately 2.05% of the total number of shares in issue as at 18 July 2024, which might not be sufficient for making further grants without refreshing the scheme mandate limit and the term of the 2016 Share Option Scheme was going to expire on 16 June 2026 which was less than 2 years. Based on the above, the Board is of the view that the

termination is justified and any future share options or share awards that may be granted by the Company shall be granted pursuant to a scheme that complies with the requirements of the existing Chapter 17 of the Listing Rules.

Significant Acquisition and Disposal of Property, Plant and Equipment

There was no acquisition or disposal of property, plant or equipment in the first half of FY2024.

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 2024.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the six months ended 30 June 2024, 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 C1 to the Listing Rules, 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 separate and not performed by the same individual. During the interim period ended 30 June 2024, Mr. Wong Shik Ho Tony assumed both the roles of chairman and chief executive officer. As one of the Group's founders, Mr. Wong has actively managed the Group 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. All Executive Directors (who are highly experienced and involved in the Group's daily business operation) and Non-Executive Directors (including 4 Independent Non-Executive Directors) have diverse professional or management expertise. Given this balanced composition, it is believed that the current structure could uphold a strong leadership and would facilitate efficient decision-making in the challenging global business environment, which is in the best interests of the shareholders of the Company.

Pursuant to code provision D.2.5 of the CG Code, the Company should have an internal audit function. During the six months ended 30 June 2024, 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 the Audit Committee, providing an annual assessment report with recommendations and holding meetings with its members at regular intervals. This allows the Audit Committee to evaluate effectiveness of the risk management and internal control systems from an independent and unbiased prospective and would 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 C3 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 2024.

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 2024 Interim Report of the Company will be published 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, 23 August 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 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*