

# TARGET

## Intelligence Report

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### **PC PARTNER GROUP LTD: A REMARKABLE TURNABOUT !**

#### **But Cryptocurrencies Are Not Welcome !**

The Net Profit Attributable to Shareholders of PC Partner Group Ltd (栢能集團有限公司) (Code: 1263, Main Board, The Stock Exchange of Hongkong Ltd) in respect of the Financial Year, ended December 31, 2020, was, in a word, remarkable.

On Revenue of about \$HK7,761,758,000.00, Management logged in a Net Profit Attributable to Shareholders of about \$HK207,276,000.00, an increase, Year-On-Year, of about 2.72 percent and 1,919.05 percent, respectively.

The Gross Profit Margin in respect of the 2020 Financial Year was 10.25 percent, a figure that was 50.07 percent higher than the corresponding period in the 2019 Financial Year.

With regard to the Net Profit Margin, the 2020 Financial Year's figure of 2.67 percent compared positively with the 2019 Financial Year's figure of 0.14 percent.

Commenting on the financial results of the 2020 Financial Year, Mr Tony Wong Shik Ho (王錫豪), Chairman and Chief Executive Officer of PC Partner Group Ltd, said, inter alia:

*'2020 is no doubt being one of the most difficult year in our lifetimes. The COVID-19 pandemic has caused closure of businesses, high unemployment rates, and affected daily life of everyone. The worldwide crisis has forced many organizations to expedite their adoption of new technology for survivals or continue to operate their businesses differently. Work from home, virtual meetings, on-line study and home entertainment became new habits and such behaviors may continue to a certain extent even after the pandemic crisis. It is no doubt technological innovation will keep changing the world and everyone's daily life in future.*

*'We have successfully improved the financial result in 2020 from a breakeven point in 2019. Gross profit margin has returned back to double digits and delivered a strong second half year result in 2020. Unlike many businesses suffering from pandemic crisis, we have experienced a strong*

*demand of video graphics cards (“VGA Cards”)\* since tens of millions of people shifted to work from home, virtual meetings, on-line study and home entertainment which have created a large demand of computer and gaming hardware. The new RTX VGA Cards being launched in the last quarter of the year were selling very well which has further facilitated the Group to deliver a good result in 2020.*

## **‘OUTLOOK**

*‘Global economy is expected to rebound from the COVID-19 pandemic outbreak in 2021, many countries have started vaccines injection for their citizens which will help to reactivate business activities progressively. We believe the demand of computer and gaming hardware will remain strong since there will still be large population of people who remain to work from home, conduct meetings and events virtually, study and play online throughout this year. This is likely turning into a new habits for many businesses and people in future. Semiconductor foundries are running at full capacities and we don’t see much improvement in supply of central processing unit (“CPU”) and GPU (Graphics Processing Unit) for most of the time in this year. Therefore the supplies of computer hardware and VGA Cards will still be tight in this year.*

*‘Hardware prices are rising to reflect an increase in cost of components, operating costs, and logistic costs plus a continuation of import tariffs in the United States (of America) for products made in China. Demand of VGA Cards keeps moving towards a higher average selling price product lines. We do see a strong new and replacement demands of 2nd generation RTX VGA Cards. Many new video games embedded with latest technologies which require an upgrade of VGA Cards in order to enjoy a great gaming experience. Popularity of E-Sport has also successfully inspired many gamers to upgrade their hardware for a greater gaming experience. All of the above shows a good sign of business for the upcoming year.*

*‘However, the business is not without potential risk and challenge. It is reasonable to suspect that the dramatic rising demand of VGA Cards was partly due to many people bought VGA Cards for cryptocurrency mining instead of gaming since the cryptocurrency prices jumped up significantly, this could be one of the reasons causing VGA Cards shortage on top of the strong demand from gamers. The Company and many players in the industry had suffered a loss on inventory value written down and sold products at discount back in 2018/2019 after the cryptocurrency prices crashed since many cryptocurrency miners sold their used VGA Cards and equipment at a big discount in the market. The Group does not support cryptocurrency mining to avoid the same incident happen in future. Unfortunately, we are unable to manage the situation since cryptocurrency miners might have purchased VGA Cards through distributors, retailers and on-line stores even though we have strongly advised our customers not to support cryptocurrency miners. NVIDIA has recently announced to launch a Cryptocurrency Mining Processor*

*(“CMP”) specially designed for cryptocurrency mining application and PC Partner is appointed to be one of the partners to deliver the CMP solution to fulfill the demand from cryptocurrency mining. Hopefully, the VGA Cards market will not be distorted too much by the fluctuation in prices of cryptocurrencies in future. We remain cautious on inventory management in case the market demand change rapidly...’.*

\* VGA Cards are, simply put, devices, enabling the transmittance of videos or other types of graphics between one or more electronic devices. Also known as ‘*Graphics Card, Video Card, Display Card, Graphic Adapter, Video Adapter or Display Adapter,*’ they are expansion cards that generate a feed of output images to a display device – such as a computer monitor.

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