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PFC Device Inc.
節能元件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8231)

ANNOUNCEMENT
REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Exempted Continuing Connected Transactions” in the prospectus of the Company dated 30 September 2016.

On 1 January 2018, PFC Device (GD) entered into the Subcontracting Agreement with Guangdong Zhaoao in relation to the provision of wafer backside process services by Guangdong Zhaoao. The Subcontracting Agreement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

The Subcontracting Agreement has been aggregated with 8 other continuing connected transactions that the Group had entered into, namely Tenancy Agreement 1, Tenancy Agreement 2, Xunsu Tenancy Agreement 1, Xunsu Tenancy Agreement 2, Shell Tenancy Agreement, the Supply Agreement, the Catering Service Agreement and the Dormitory Rental Agreement, for the purpose of GEM Listing Rules on the basis that they are all entered into by the Group with Shell Electric and/or its subsidiaries.

The applicable percentage ratios (other than profits ratio) of the aggregated annual caps for the above continuing connected transactions for the year ending 31 December 2020 are less than 5% and the annual consideration is below HK\$3,000,000, therefore, such transactions are exempted from reporting, annual review, announcement, circular and independent shareholders’ approval under Chapter 20 of the GEM Listing Rules.

Based on the reasons mentioned in this announcement, the total amount of subcontracting fees paid under the Subcontracting Agreement is expected to increase significantly for the year ending 31 December 2020. Accordingly, the Original Annual Cap will be adjusted from RMB210,000 to RMB2,721,000 (i.e. the Revised Annual Cap).

As a result of the increase of the Revised Annual Cap, the aggregated annual caps for the continuing connected transactions for the year ending 31 December 2020 will increase to HK\$6,000,000. As one of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules for the revised aggregated annual caps for the continuing connected transactions for the year ending 31 December 2020 is higher than 5% but less than 25% and the annual consideration is less than HK\$10,000,000, the continuing connected transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the relevant circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.52 of the GEM Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 20 of GEM Listing Rules applicable to the relevant continuing connected transactions.

BACKGROUND

Reference is made to the section headed "Exempted Continuing Connected Transactions" in the prospectus of the Company dated 30 September 2016.

On 1 January 2018, PFC Device (GD) entered into the Subcontracting Agreement with Guangdong Zhaoao in relation to the provision of wafer backside process services by Guangdong Zhaoao. The Subcontracting Agreement constitutes a continuing connected transaction under Chapter 20 of the GEM Listing Rules.

The Subcontracting Agreement has been aggregated with 8 other continuing connected transactions that the Group had entered into, namely Tenancy Agreement 1, Tenancy Agreement 2, Xunsu Tenancy Agreement 1, Xunsu Tenancy Agreement 2, Shell Tenancy Agreement, the Supply Agreement, the Catering Service Agreement and the Dormitory Rental Agreement, for the purpose of the GEM Listing Rules on the basis that they are all entered into by the Group with Shell Electric and/or its subsidiaries.

Based on the reasons mentioned in this announcement, it is expected that the total amount of subcontracting fees paid under the Subcontracting Agreement is expected to increase significantly for the year ending 31 December 2020. Accordingly, the Original Annual Cap will be adjusted from RMB210,000 to RMB2,721,000 (i.e. the Revised Annual Cap).

PRINCIPAL TERMS AND ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS

1. Tenancy Agreement 1

Date: 31 December 2019

Parties: Landlord – Shunde Multi-Media
Tenant – PFC Device (GD)

Premises: Factory spaces situated at 4th Floor, Block A, Bei Jiao Industrial Park, No.18, San Le Dong Road, Bei Jiao County, Shunde District, Foshan, the PRC

Term: From 1 January 2020 to 31 December 2020

Rent: RMB16,000 per calendar month

Management fee: RMB2,500 per calendar month

Basis of pricing: with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 was RMB222,000 (equivalent to approximately HK\$270,000) and the historical amount paid by PFC Device (GD) to Shunde Multi-Media for the year ended 31 December 2019 was RMB222,000.

The annual cap for the year ending 31 December 2020 under the Tenancy Agreement 1 is the total amount of rent and management fee payable, which is RMB222,000 (equivalent to approximately HK\$270,000). The transaction amount paid under the Tenancy Agreement 1 for the six months ended 30 June 2020 was RMB111,000.

2. Tenancy Agreement 2

Date:	31 December 2019
Parties:	Landlord – Shunde Multi-Media Tenant – PFC Device (GD)
Property:	Factory spaces at 1st and 4th floor, Block B, Bei Jiao Industrial Park, No.18 San Le Dong Road, Bei Jiao County, Shunde District, Foshan, the PRC
Term:	From 1 January 2020 to 31 December 2020
Rent:	RMB54,000 per calendar month
Management fee:	RMB10,400 per calendar month
Basis of pricing:	with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 was RMB772,800 (equivalent to approximately HK\$930,000) and the historical amount paid by PFC Device (GD) to Shunde Multi-Media for the year ended 31 December 2019 was RMB772,800.

The annual cap for the year ending 31 December 2020 under the Tenancy Agreement 2 is the total amount of rent and management fee payable, which is RMB772,800 (equivalent to approximately HK\$930,000). The transaction amount paid under the Tenancy Agreement 2 for the six months ended 30 June 2020 was RMB386,400.

3. Xunsu Tenancy Agreement 1

Date:	1 January 2020
Parties:	Landlord – Xunsu Asset Management Tenant – PFC Device (GD)
Property:	Room 612-613, Block A, Xintian Century Business Centre, Shizia North 2nd Street, Futian District, Shenzhen, the PRC
Period:	From 1 January 2020 to 31 December 2020
Rent:	RMB44,000 per calendar month
Basis of pricing:	with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 was RMB504,000 (equivalent to approximately HK\$610,000) and the historical amount paid by PFC Device (GD) to Xunsu Asset Management for the year ended 31 December 2019 was RMB504,000.

The annual cap for the year ending 31 December 2020 under the Xunsu Tenancy Agreement 1 is the total amount of rent payable, which is RMB528,000 (equivalent to approximately HK\$640,000). The transaction amount paid under the Xunsu Tenancy Agreement 1 for the six months ended 30 June 2020 was RMB264,000.

4. Xunsu Tenancy Agreement 2

Date:	1 January 2020
Parties:	Landlord – Xunsu Asset Management Tenant – PFC Device (GD)
Property:	Room 1006, Block C, Xintian, Century Business Centre, Shizia North 2nd Street, Futian District, Shenzhen, the PRC
Period:	From 1 January 2020 to 31 December 2020
Rent:	RMB15,750 per calendar month
Basis of pricing:	with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 was RMB180,000 (equivalent to approximately HK\$220,000) and the historical amount paid by PFC Device (GD) to Xunsu Asset Management for the year ended 31 December 2019 was RMB180,000.

The annual cap for the year ending 31 December 2020 under the Xunsu Tenancy Agreement 2 is the total amount of rent payable, which is RMB189,000 (equivalent to approximately HK\$230,000). The transaction amount paid under the Xunsu Tenancy Agreement 2 for the six months ended 30 June 2020 was RMB94,500.

5. Shell Tenancy Agreement

Date:	15 January 2020
Parties:	Landlord – Shell Electric Tenant – PFC Device (HK)
Premises:	A portion of the 1st and 4th floor of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong
Term:	From 1 January 2020 to 31 December 2020
Rent:	HK\$18,000 per calendar month
Management fee:	HK\$2,700 per calendar month
Basis of pricing:	with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 was HK\$248,400 and the historical amount paid by PFC Device (HK) to Shell Electric for the year ended 31 December 2019 was HK\$248,400.

The annual cap for the year ending 31 December 2020 under the Shell Tenancy Agreement is the total amount of rent and management fee payable, which is HK\$248,400. The transaction amount paid under the Shell Tenancy Agreement for the six months ended 30 June 2020 was HK\$124,200.

6. Supply Agreement

Date:	7 January 2019
Parties:	SMC Electric HK PFC Device (HK)
Description of transaction:	PFC Device (HK) and/or its fellow subsidiaries agree to sell the Group's power discrete semiconductors or other products to SMC Electric HK and/or its subsidiaries
Term:	From 1 January 2019 to 31 December 2021
Basis of pricing:	market price available to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business

The annual cap for the year ended 31 December 2019 under the Supply Agreement was US\$23,000 (equivalent to approximately HK\$180,000) and the historical amount paid by SMC Electric HK to PFC Device (HK) for the year ended 31 December 2019 was US\$22,400.

The annual cap for the year ending 31 December 2020 under the Supply Agreement is US\$25,500 (equivalent to approximately HK\$200,000). The transaction amount received under the Supply Agreement for the six months ended 30 June 2020 was US\$8,590.

7. Catering Service Agreement

Date:	31 December 2018
Parties:	Shunde Multi-Media PFC Device (GD)
Description of transaction:	Provision of catering services by Shunde Multi-Media to the staff of PFC Device (GD)
Term:	From 1 January 2019 to 31 December 2021
Service fees:	monthly fee of RMB500 per person
Basis of pricing:	market price available to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business

The annual cap for the year ended 31 December 2019 under the Catering Service Agreement was RMB30,000 (equivalent to approximately HK\$36,000) and the historical amount paid by PFC Device (GD) to Shunde Multi-Media for the year ended 31 December 2019 was RMB30,000.

The annual cap for the year ending 31 December 2020 under the Catering Service Agreement is RMB30,000 (equivalent to approximately HK\$36,000). The transaction amount paid under the Catering Service Agreement for the six months ended 30 June 2020 was RMB15,000.

8. Dormitory Rental Agreement

Date: 31 December 2019

Parties: Landlord – Shunde Multi-Media
Tenant – PFC Device (GD)

Premises: Certain dormitory rooms at Bei Jiao Industrial Park, No.18 San Le Dong Road, Bei Jiao County, Shunde District, Foshan, the PRC (the “**Dormitory Premises**”)

Term: From 1 January 2020 to 31 December 2022

Rent: RMB1,000 and RMB3,000 per month respectively for a single room and an en suite at Block A of the Dormitory Premises; RMB1,000 and RMB600 per month respectively for an en suite room at Block B and a single room at Block C. PFC Device (GD) are charged based on actual number of dormitory rooms used

Basis of pricing: with reference to market rent of the properties nearby and on normal commercial terms

The annual cap for the year ended 31 December 2019 under the Dormitory Rental Agreement was RMB150,000 (equivalent to approximately HK\$180,000) and the historical amount paid by PFC Device (GD) to Shunde Multi-Media for the year ended 31 December 2019 was RMB144,000.

The annual cap for the year ending 31 December 2020 under the Dormitory Rental Agreement is RMB150,000 (equivalent to approximately HK\$180,000). The transaction amount paid under the Dormitory Rental Agreement for the six months ended 30 June 2020 was RMB66,700.

9. Subcontracting Agreement

Date:	1 January 2018
Parties:	Guangdong Zhaoao PFC Device (GD)
Description of transaction:	Provision of wafer backside process services by Guangdong Zhaoao to PFC Device (GD)
Period:	From 1 January 2018 to 31 December 2020
Basis of pricing:	market price available to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business

The annual cap for the year ended 31 December 2019 under the Subcontracting Agreement was RMB135,000 (equivalent to approximately HK\$170,000) and the historical amount paid by PFC Device (GD) to Guangdong Zhaoao for the year ended 31 December 2019 was RMB127,327.

The transaction amount paid under the Subcontracting Agreement for the six months ended 30 June 2020 was RMB619,770.

The Original Annual Cap for the year ending 31 December 2020 under the Subcontracting Agreement is RMB210,000 (equivalent to approximately HK\$260,000). As there was an unexpected sudden increase in demand for subcontracting services provided by Guangdong Zhaoao in the second quarter in 2020, the total amount of subcontracting fees paid under the Subcontracting Agreement is expected to increase significantly for the year ending 31 December 2020. Taking into account the above, the Original Annual Cap will be increased from RMB210,000 to RMB2,721,000 (equivalent to approximately HK\$3,265,600) (i.e. the Revised Annual Cap).

The Revised Annual Cap has been determined mainly with reference to (i) the historical subcontracting fees that have been paid to Guangdong Zhaoao for the six months ended 30 June 2020; (ii) the subcontracting fee expected to be payable to Guangdong Zhaoao for the year ending 31 December 2020, taking into account that the Group's unexpected sudden demand for subcontracting services provided by Guangdong Zhaoao; and (iii) the anticipated business needs of the Group.

INFORMATION ON THE PARTIES

PFC Device (GD) is principally engaged in the manufacturing and sales of power discrete semiconductors.

Shunde Multi-Media is principally engaged in the manufacturing and trading of laser printer components.

Shell Electric is principally engaged in investment holding and property leasing.

Xunsu Asset Management is principally engaged in property investment.

PFC Device (HK) is principally engaged in the sales of power discrete semiconductors.

SMC Electric HK is principally engaged in the trading of electric fans and electric tools.

Guangdong Zhaoao is principally engaged in the provision of wafer backside process services.

The Company is an investment holding company and the Group is principally engaged in the design, manufacturing and sales of power discrete semiconductors under its own brand.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shell Electric holds indirectly 58.65% of the issued share capital of the Company and is therefore a controlling shareholder of the Company. Accordingly, the subsidiaries of Shell Electric constitute connected persons of the Company under Chapter 20 of the GEM Listing Rules.

The applicable percentage ratios (other than profits ratio) of the aggregated annual caps for the above continuing connected transactions for the year ending 31 December 2020 are less than 5% and the annual consideration is below HK\$3,000,000, therefore, such transactions are exempted from reporting, annual review, announcement, circular and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

As a result of the increase of the Revised Annual Cap, the aggregated annual caps for the continuing connected transactions for the year ending 31 December 2020 will increase to HK\$6,000,000. As one of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules for the revised aggregated annual caps for the continuing connected transactions for the year ending 31 December 2020 is higher than 5% but less than 25% and the annual consideration is less than HK\$10,000,000, the continuing connected transactions are subject to the reporting, announcement and annual review requirements, but are exempt from the relevant circular and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

Pursuant to Rule 20.52 of the GEM Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will have to re-comply with the provisions of Chapter 20 of GEM Listing Rules applicable to the relevant continuing connected transactions.

The Directors (including the independent non-executive Directors) are of the view that the above continuing connected transactions have been conducted on normal commercial terms, are entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its subsidiaries as a whole, and the Revised Annual Cap for the year ending 31 December 2020 under the Subcontracting Agreement is fair and reasonable.

As at the date of this announcement, Mr. Yung Kwok Kee Billy holds approximately 80.45% interest in Shell Electric, he has a material interest in the above continuing connected transactions including the Revised Annual Cap. Mr. Yung Kwok Kee Billy has abstained from voting on the relevant Board resolutions. Save as disclosed above, none of the Directors has a material interest in the continuing connected transactions and is required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

“Board”	the board of directors of the Company
“Catering Service Agreement”	the agreement dated 31 December 2018 entered into between PFC Device (GD) and Shunde Multi-Media in relation to provision of catering services by Shunde Multi-Media to staff of PFC Device (GD)
“Company”	PFC Device Inc., a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM of the Stock Exchange
“Director(s)”	directors of the Company
“Dormitory Rental Agreement”	the agreement dated 31 December 2019 entered into between PFC Device (GD) and Shunde Multi-Media in relation to provision of dormitory rooms by Shunde Multi-Media to staff of PFC Device (GD)
“Group”	the Company and its subsidiaries from time to time

“Guangdong Zhaoao”	廣東兆傲電子有限公司 (Guangdong Zhaoao Electronics Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Shell Electric
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM made by the Stock Exchange from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Original Annual Cap”	the original cap for the continuing connected transactions under the Subcontracting Agreement for the year ending 31 December 2020
“PFC Device (GD)”	廣東普福斯節能元件有限公司(Guangdong PFC Device Limited*), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“PFC Device (HK)”	PFC Device (HK) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Revised Annual Cap”	the revised annual cap for the continuing connected transactions under the Subcontracting Agreement for the year ending 31 December 2020
“Shareholders”	holder(s) of ordinary shares of the Company
“Shell Electric”	Shell Electric Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, and a controlling shareholder of the Company
“Shell Tenancy Agreement”	the agreement dated 15 January 2020 entered into between PFC Device (HK) and Shell Electric in relation to lease of a portion of the 1st and 4th floor of Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong

“Shunde Multi-Media”	佛山市順德區蜆華多媒體製品有限公司(Shunde SMC Multi-Media Products Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of Shell Electric
“SMC Electric HK”	SMC Electric (HK) Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of SMC Electric Limited (stock code: 2381) in which Shell Electric holds 75% of its issued shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subcontracting Agreement”	the agreement dated 1 January 2018 entered into between PFC Device (GD) and Guangdong Zhaoao in relation to provision of wafer backside process services by Guangdong Zhaoao
“Supply Agreement”	the agreement dated 7 January 2019 entered into between PFC Device (HK) and SMC Electric HK in relation to sale of power discrete semiconductors or other products to SMC Electric HK
“Tenancy Agreement 1”	the agreement dated 31 December 2019 entered into between PFC Device (GD) and Shunde Multi-Media in relation to rental of certain factory spaces to PFC Device (GD) by Shunde Multi-Media
“Tenancy Agreement 2”	the agreement dated 31 December 2019 entered into between PFC Device (GD) and Shunde Multi-Media in relation to rental of certain production spaces to PFC Device (GD) by Shunde Multi-Media
“US\$”	United States Dollars, the lawful currency of the United States of America
“Xunsu Asset Management”	迅速資產管理(深圳)有限公司 (Xunsu Asset Management (Shenzhen) Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of Shell Electric

“Xunsu Tenancy
Agreement 1”

the agreement dated 1 January 2020 entered into between PFC Device (GD) and Xunsu Asset Management in relation to rental of office space to PFC Device (GD) by Xunsu Asset Management

“Xunsu Tenancy
Agreement 2”

the agreement dated 1 January 2020 entered into between PFC Device (GD) and Xunsu Asset Management in relation to rental of residential space to PFC Device (GD) by Xunsu Asset Management

By order of the Board
PFC Device Inc.
CHOW Kai Chiu, David
Executive Director

Hong Kong, 6 August 2020

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. HONG James Man-fai and Mr. CHOW Kai Chiu, David; two non-executive directors, namely, Mr. YUNG Kwok Kee, Billy and Mr. TANG Che Yin; and three independent non-executive directors, namely, Mr. LAM, Peter, Mr. LEUNG Man Chiu, Lawrence and Mr. FAN Yan Hok, Philip.

* *for identification purpose only*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this announcement misleading. This announcement will remain on the GEM’s website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.pfc-device.com.

For the purpose of this announcement, the exchange rate between RMB and HK\$ is RMB1=HK\$1.2 and the exchange rate between US\$ and HK\$ is US\$1=HK\$7.8.