

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.

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8231)

**(1) PROPOSED SHARE CONSOLIDATION;
AND
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) CONSOLIDATED
SHARES HELD ON THE RECORD DATE ON A
NON-UNDERWRITTEN BASIS**

Financial adviser to the Company



FDB Financial Group Ltd
灃展金融集團有限公司

PROPOSED SHARE CONSOLIDATION

The Company proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.20 each.

The Share Consolidation is conditional upon, among others, the Shareholders' approval by way of poll at the EGM. A circular containing further information on the Share Consolidation and a notice to convene the EGM will be despatched to the Shareholders on or before Friday, 7 May 2021.

PROPOSED RIGHTS ISSUE

The Company proposes, subject to, amongst others, the Share Consolidation becoming effective, to raise gross proceeds of approximately HK\$32.4 million, before expenses (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date), by way of the Rights Issue of up to 40,450,806 Rights Shares at the Subscription Price of HK\$0.80 per Rights Share on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date and payable in full on acceptance. The Rights Issue is non-underwritten irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, any unsubscribed Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 31 May 2021. It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 27 May 2021, and the Shares will be dealt with on an ex-rights basis from Friday, 28 May 2021.

GEM LISTING RULES IMPLICATIONS

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

As the Company has not conducted any rights issues or open offer within the 12-month period immediately preceding this announcement, the Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not subject to approval by the Shareholders under the GEM Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Share Consolidation. A circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the EGM, is expected to be despatched on or before Friday, 7 May 2021 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Despatch Date. The Company will despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders (if any) for their information only on the same date.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfillment of conditions set out in the paragraph headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the Rights Shares in nil-paid form. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

(I) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.20 each. Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Consolidated Shares regardless of the number of share certificates held by such holder.

Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company consists of HK\$38,000,000 divided into 3,800,000,000 Shares of HK\$0.01 each, of which 1,618,032,277 Shares are in issue and fully paid. Upon the Share Consolidation becoming effective but before completion of the Rights Issue and assuming that no new Shares are issued or repurchased from the date of this announcement to the effective date of the Share Consolidation, the authorised share capital of the Company will be HK\$38,000,000 divided into 190,000,000 Consolidated Shares of HK\$0.20 each, of which 80,901,613 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's articles of association. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled and the necessary professional expenses for the implementation of the Share Consolidation.

Adjustments in relation to other securities of the Company

As at the date of this announcement, there are outstanding Share Options for subscription of 13,657,718 Shares under the Share Option Scheme. Pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon the exercise of the outstanding Share Options. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, as at the date of this announcement, the Company has no other outstanding derivatives, options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of an ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- (iii) the GEM Listing Committee granting approval for the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Thursday, 27 May 2021, being the second Business Day after the EGM.

Application for listing of the Consolidated Shares

An application will be made by the Company to the GEM Listing Committee for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares of the Company regardless of the number of share certificates held by such holder.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a securities firm to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares.

Details of the odd lot arrangement will be set out in the circular of the Company. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Thursday, 27 May 2021 to Tuesday, 6 July 2021, submit the existing share certificates for the Shares to the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Shares will continue to be good evidence of title and may be exchanged for new share certificates for the Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for the Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

The new share certificates for the Consolidated Shares will be issued in green colour in order to distinguish them from the existing yellow colour.

Reason for the Share Consolidation

The Shares has been constantly traded at a closing price below HK\$0.10 in the past two years. In order to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share. It is hoped that this will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), (i) any trading price less than HK\$0.10 will be considered as approaching the extremities of HK\$0.01; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000. As at the date of this announcement, the closing price of each Share is HK\$0.05, with a board lot size of 10,000 Shares, the Company is trading under HK\$2,000 per board lot.

It is expected that the Share Consolidation will increase the value of each board lot of the Consolidated Shares to more than HK\$2,000. Based on the closing price of HK\$0.05 per Share (equivalent to the theoretical closing price of HK\$1.00 per Consolidated Share) as at the date of this announcement, the estimated value per board lot of 10,000 Consolidated Shares will be HK\$10,000. The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in change in the relative rights of the Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 18 May 2021 to Tuesday, 25 May 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

(II) PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue as follows:

Issue statistics

Basis of the Rights Issue:	One (1) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date
Subscription Price:	HK\$0.80 per Rights Share
Number of Shares in issue as at the date of this announcement:	1,618,032,277 Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	80,901,613 Consolidated Shares
Number of Rights Shares:	Up to 40,450,806 Right Shares (assuming no new Shares or Consolidated Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of Rights Shares	HK\$8,090,161 (assuming no new Shares or Consolidated Shares are issued or repurchased on or before the Record Date)
Total Number of Consolidated Shares in issue upon completion of the Rights Issue:	Up to 121,352,419 Consolidated Shares (assuming no Shares or Consolidated Shares are issued or repurchased on or before the Record Date)
Gross proceeds from the Rights Issue:	Up to approximately HK\$32.4 million before expenses (assuming no Shares or Consolidated Shares are issued or repurchased on or before the Record Date)

Save as disclosed in the paragraph headed “Adjustments in relation to other securities of the Company” above, as at the date of this announcement, the Company has no other outstanding derivatives, options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Share Consolidation becoming effective, the aggregate 40,450,806 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50.0% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 33.3% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the date of this announcement.

Subscription Price

The subscription price of HK\$0.80 per Rights Share is payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 20.00% to the theoretical closing price of HK\$1.00 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.050 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 23.37% to the theoretical average closing price of approximately HK\$1.04 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.052 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 23.37% to the theoretical average closing price of approximately HK\$1.04 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.052 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 14.29% to the theoretical ex-rights price of approximately HK\$0.93 per Consolidated Share (taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.050 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (v) a discount of approximately 64.22% to the theoretical consolidated net asset value of the Company of approximately HK\$2.24 per Consolidated Share based on the audited consolidated net asset value of the Company of approximately US\$23,191,000 (equivalent to approximately HK\$180,889,800) as at 31 December 2020 and 80,901,613 Consolidated Shares (assuming the Share Consolidation has become effective); and
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 7.79% of the theoretical diluted price of approximately HK\$0.963 per Consolidated Share to the benchmarked price of HK\$1.044 per Consolidated Share (after taking into account the effect of the Share Consolidation).

The Subscription Price was determined with reference to, among other things, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding needs of the Company for its business plans and prospect, details of which are set out in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS” below. It is a general market practice for the listed companies on the Stock Exchange to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of rights issues. Since the Rights Shares are offered to all Qualifying Shareholders, the Board is of view that setting the Subscription Price at a discount to the prevailing market price of the Shares would encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their shareholdings in the Company and participate in the potential growth of the Group. Each Qualifying Shareholder is offered equal opportunity to subscribe for the Rights Shares at the Subscription Price in proportion to his/her/its shareholding in the Company held on the Record Date and hence the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price to the market price of the Shares.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of the Rights Shares will be approximately HK\$0.78.

The Board considers that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid or credited as fully paid, will rank *pari passu* with the then existing Consolidated Shares in issue on the date of allotment and issue of the Rights Shares in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares.

Qualifying Shareholders

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date. In order to be registered as members of the Company on the Record Date, all transfers of Shares or Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:30 p.m. on Monday, 31 May 2021. It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Thursday, 27 May 2021 and the Consolidated Shares will be dealt with on an ex-rights basis from Friday, 28 May 2021.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Despatch Date. The Company will despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders (if any) for their information only on the same date.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Excluded Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company is currently making enquiries as to whether the issue of the Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiries, the Board is of the view that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The Company will, subject to the advice of the Company's legal advisers in the relevant jurisdiction(s) where the Overseas Shareholders are located and to the extent possible, despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders (if any) for their information only on the same date.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of HK\$100 or more will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold nil-paid Rights Shares to which such Excluded Shareholders (if any) would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAFs.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 1 June 2021 to Monday, 7 June 2021 (both days inclusive) for determining the entitlements to the Rights Issue. No transfers of the Shares will be registered during the above book closure period.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) Consolidated Shares held by a Qualifying Shareholder as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the full amount payable for the Rights Shares being applied for with the Registrar by the Acceptance Date.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and issue fractions of Rights Shares. All fractions of the Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any unsold fractions of the Rights Shares will be available for excess application by the Qualifying Shareholders under the EAFs (if any).

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) any unsold entitlements of the Rights shares of the Excluded Shareholders; and (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by duly completing and signing the EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar by 4:00 p.m. on Wednesday, 23 June 2021.

The Board will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the principle that any excess Rights Shares will be allocated to the applying Qualifying Shareholders on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares subscribed through PALs or the number of Shares held by Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Board will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Beneficial owners of Shares whose Shares held by a nominee (or which are held in CCASS) should note that for the purpose of the Rights Issue, the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such beneficial owners should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing of the Right Shares

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. The nil-paid Rights Shares shall have the same board lot size as the fully-paid Rights Shares, i.e. 10,000 Consolidated Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or other applicable fees and charges in Hong Kong.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by Friday, 2 July 2021 by ordinary post, at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted by Friday, 2 July 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Non-underwritten basis

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, any unsubscribed Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount which must be raised in order for the Rights Issue to proceed.

The legal adviser of the Company to the Cayman Islands law has confirmed that there are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained. Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder for his/her/its entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfillment of each of the following conditions:

- (a) the Share Consolidation having become effective;
- (b) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, not later than the Despatch Date, each of the Prospectus Documents duly certified in compliance with the Companies (WUMP) Ordinance (and all other documents required to be attached thereto or otherwise filed or delivered) and otherwise complying with the requirements of the Companies (WUMP) Ordinance and the GEM Listing Rules;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for their information only, on or before the Despatch Date; and
- (d) the GEM Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms by no later than the Business Day prior to the first day of their dealings.

The conditions precedent set out above are incapable of being waived by the Company. If the conditions precedent set out above are not satisfied by the Acceptance Date, the Rights Issue will not proceed.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares or Consolidated Shares from the date of this announcement up to and including the date of completion of the Rights Issue, the table below set out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) after the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares); and (iv) after the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming only the controlling shareholders of the Company have taken up the Rights Shares).

Name of Shareholder	As at the date of this announcement		Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		After the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares)		After the Share Consolidation becoming effective and immediately after completion of the Rights Issue (assuming only the controlling shareholders of the Company have taken up the Rights Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Lotus Atlantic Limited (Note)	949,127,925	58.66	47,456,396	58.66	71,184,593	58.66	71,184,593	68.03
Other Shareholders	668,904,352	41.34	33,445,217	41.34	50,167,826	41.34	33,445,217	31.97
Total	<u>1,618,032,277</u>	<u>100.00</u>	<u>80,901,613</u>	<u>100.00</u>	<u>121,352,419</u>	<u>100.00</u>	<u>104,629,810</u>	<u>100.00</u>

Note:

Lotus Atlantic Limited is an indirectly wholly-owned subsidiary of Shell Electric Holdings Limited, which is owned as to 80.47% by Red Dynasty Investments Limited. Mr. Yung Kwok Kee Billy, the chairman and non-executive Director of the Company, is interested in 100% of the issued share capital of Red Dynasty Investments Limited.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation and Rights Issue:

Event	Time and Date
	2021
Despatch of circular with notice and form of proxy for the EGM for Share Consolidation.	Friday, 7 May
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 17 May
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	From Tuesday, 18 May to Tuesday, 25 May
Latest time for lodging proxy forms for the EGM.. . . .	11:00 a.m. on Sunday 23 May
Record date for attendance and voting at the EGM	Tuesday, 25 May
Date and time of EGM	11:00 a.m. on Tuesday, 25 May
Announcement of poll results of the EGM	Tuesday, 25 May
Register of members of the Company re-opens	Wednesday, 26 May
Effective date of the Share Consolidation	9:00 a.m. on Thursday, 27 May
First day for free exchange of existing share certificates for new share certificates.	Thursday, 27 May
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Thursday, 27 May
Original counter for trading in Shares in board lots of 10,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Thursday, 27 May

Temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens 9:00 a.m. on Thursday, 27 May

Last day of dealings in Consolidated Shares on a cum-rights basis for the Rights Issue. Thursday, 27 May

First day of dealings in Consolidated Shares on an ex-rights basis Friday, 28 May

Latest time for lodging transfer of Consolidated Shares in order to be qualified for the Rights Issue 4:30 p.m. on Monday, 31 May

Closure of register of members of the Company (both days inclusive) to determine entitlement to the Rights Issue. From Tuesday, 1 June to Monday, 7 June

Record Date to determine entitlements under the Rights Issue Monday, 7 June

Register of members of the Company re-opens Tuesday, 8 June

Despatch of the Prospectus Documents Tuesday, 8 June

First day of dealings in nil-paid Rights Shares 9:00 a.m. on Thursday, 10 June

Original counter for trading in Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens. 9:00 a.m. on Thursday, 10 June

Parallel trading in Consolidated Shares (in the form of new share certificates in board lots of 10,000 Consolidated Shares and existing share certificates in board lots of 500 Consolidated Shares) commences 9:00 a.m. on Thursday, 10 June

Designated broker starts to stand in the market to provide matching services for odd lots of Consolidated Shares 9:00 a.m. on Thursday, 10 June

Latest time for splitting of PALs 4:00 p.m. on Tuesday, 15 June

Last day of dealings in nil-paid Rights Shares Friday, 18 June

Latest time for acceptance of and payment
for the Rights Shares and application
and payment for excess Rights Shares 4:00 p.m. on Wednesday, 23 June

Latest time for the Rights Issue to
become unconditional 4:00 p.m. on Thursday, 24 June

Announcement of results of the Rights Issue Wednesday, 30 June

Last day for the designated broker to provide matching
services for odd lots of the Consolidated Shares 4:00 p.m. on Friday, 2 July

Temporary counter for trading in Consolidated Shares
in board lots of 500 Consolidated Shares
(in the form of existing share certificates) closes 4:10 p.m. on Friday, 2 July

Parallel trading in Consolidated Shares
(in the form of new share certificates in
board lots of 10,000 Consolidated Shares and
existing share certificates in board lots of
500 Consolidated Shares) closes 4:10 p.m. on Friday, 2 July

Despatch of share certificates for the fully-paid
Rights Shares and refund cheques in relation
to unsuccessful applications Friday, 2 July

Dealing in the fully-paid Rights Shares expected
to commence 9:00 a.m. on Monday, 5 July

Last day for free exchange of existing share
certificates for new share certificates Tuesday, 6 July

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in design, manufacturing and sales of its own branded power discrete semiconductors namely Schottky and MOSFET.

Assuming that there is no change in the number of issued Shares on or before the Record Date and all Rights Shares to be issued under the Rights Issue have been taken up in full, the gross proceeds from the Rights Issue will be approximately HK\$32.4 million. The net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.0 million) are estimated to be approximately HK\$31.4 million.

The Company currently intends to use the net proceeds from the Rights Issue to partly finance its capital expenditure in 2021 which is primarily for the construction of a wafer fabrication manufacturing facility at its factory in Shunde, China. The Company expects that the capital expenditure for 2021 will be approximately US\$14.3 million (equivalent to approximately HK\$111.5 million), of which (i) approximately US\$5.3 million to be financed by internal cash resources; (ii) approximately US\$5.0 million to be financed by way of shareholders' loans from Shell Electric Holdings Limited and its subsidiaries (other than the Group), the controlling shareholders of the Company; and (iii) the remaining balance of approximately US\$4.0 million (equivalent to approximately HK\$31.2 million) to be financed by the net proceeds.

Currently, the Group outsources the wafer fabrication process for the production of all of its power discrete semiconductors to external wafer foundries. As disclosed in the annual report of the Company for the year ended 31 December 2020, due to the strong growth of 5G and AI computing devices, the demand for wafer will continue to outstrip supplies. As such, the major challenge for the Group is to ensure sufficient supply of wafer. The in-house fabrication capability can alleviate the Company's reliance on external wafer supply which has fallen short of demand globally since the outset of the pandemic. The wafer fabrication manufacturing facility will primarily carry out the fabrication process for the Group's MOSFET which is expected to commence operation in 2023.

Having considered the above, the Board believes that the set-up of a wafer fabrication manufacturing facility is advantageous to the development of the Group's business in the long run.

The Board has considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, as the Company expects to obtain interest-bearing shareholders' loans from the controlling shareholders of the Company to partly finance the construction plan, the Board considers that further debt financing would result in additional interest burden and higher gearing ratio of the Group which is not beneficial to the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the right to participate in the fund raising exercise and their respective shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company. In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As open offer does not allow the trading of rights entitlements, rights issue is preferred.

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds of the Rights Issue cannot be ascertained at this point. The pandemic has recently showed signs of easing in different parts of the world and it is believed that global economic order will gradually resume. In view of the recent propitious market condition, the Company expects that the Rights Issue will be well received by Shareholders who are offered the opportunity to participate in the potential growth of the Group's businesses using the net proceeds from the Rights Issue. There is no minimum amount of proceeds that the Company intends to raise. Nevertheless, in the event that there is any shortfall in net proceeds from the Rights Issue, the Company may finance such shortfall by internal resources, working capital and/or other means of financing as and when appropriate, and where necessary, the Company may also consider adjusting the construction plan.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conduct any equity fund raising activities during the past twelve months immediately preceding the date of this announcement.

GEM LISTING RULES IMPLICATIONS

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

As the Company has not conducted any rights issues or open offer within the 12-month period immediately preceding this announcement, the Rights Issue will not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not subject to approval by the Shareholders under the GEM Listing Rules.

GENERAL

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Share Consolidation. A circular containing, among other things, (i) further details of the Share Consolidation; and (ii) a notice convening the EGM, is expected to be despatched on or before Friday, 7 May 2021 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the proposed Rights Issue, to the Qualifying Shareholders on the Despatch Date. The Company will despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders (if any) for their information only on the same date.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfillment of conditions set out in the paragraph headed “Conditions of the Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions of the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any dealings in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and the Rights Shares in nil-paid form. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the following meanings:

“Acceptance Date”	4:00 p.m. on Wednesday, 23 June 2021 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a Sunday or public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“Company”	PFC Device Inc., a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Consolidated Shares(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company upon the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Despatch Date”	Tuesday, 8 June 2021 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for Rights Shares in excess for their pro-rata entitlements under the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Share Consolidation
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholder(s) resides, consider it necessary or expedient not to offer them the Rights Shares
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the meaning as defined in the GEM Listing Rules

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	the lawful currency for the time being of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	23 April 2021, being the last trading day of the Shares on the Stock Exchange before the date of this announcement
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company on the Record Date is/are outside of Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	Monday, 7 June 2021, the record date to determine entitlements to the Rights Issue
“Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong

“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every two (2) Consolidated Shares in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the Prospectus Documents
“Rights Share(s)”	new Consolidated Share(s) to be allotted and issued by the Company under the Rights Issue
“Shareholder(s)”	the holder(s) of the Shares and/or Consolidated Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company prior to the Share Consolidation becoming effective
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued existing Shares into one (1) Consolidated Share in the issued and unissued share capital of the Company
“Share Option(s)”	the 13,657,718 outstanding share options of the Company to subscribe for 13,657,718 Shares at the exercise price of HK\$0.165 per Share granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 19 September 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.80 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“US\$” United States Dollars, the lawful currency of the United States of America

“%” per cent

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

By Order of the Board of
PFC Device Inc.
Yung Kwok Kee, Billy
Chairman

Hong Kong, 23 April 2021

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.

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 website at <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company.