
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares (as defined herein) in PFC Device Inc. (the “Company”), you should at once hand the Prospectus Documents (as defined herein) to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies” in Appendix III to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

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.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of the Prospectus Documents, 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 the Prospectus Documents.



PFC Device Inc.
節能元件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8231)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) 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

Capitalised terms used herein shall have the meanings set out in the section headed “Definitions” of this prospectus.

Shareholders and potential investors should note that the Rights Issue is conditional upon the fulfillment of the conditions referred to in the section headed “Conditions of the Rights Issue” in this prospectus. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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 that there is an under-subscription of the Rights Issue, 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. Pursuant to the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the GEM Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Friday, 28 May 2021 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 10 June 2021 to Friday, 18 June 2021 (both days inclusive). Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Thursday, 24 June 2021), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

The latest date and time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 23 June 2021. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 15 to 16 of this prospectus.

8 June 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the following meanings:

“Announcement”	the announcement of the Company dated 23 April 2021 in relation to, among other things, the Rights Issue
“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
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	PFC Device Inc., an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“controlling shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“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

DEFINITIONS

“Excluded Shareholders”	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 ascribed thereto under in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	Friday, 23 April 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	Tuesday, 1 June 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information for inclusion herein
“Latest Time for Acceptance”	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
“Mr. Yung”	Mr. Yung Kwok Kee, Billy, the chairman and the non-executive Director
“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

DEFINITIONS

“Prospectus Documents”	this prospectus, the PAL and the EAF
“Qualifying Shareholders”	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 and transfer office 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) Shares in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents
“Rights Shares”	new Share(s) to be allotted and issued by the Company under the Rights Issue
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.20 each in the capital of the Company
“Share Consolidation”	the consolidation of every twenty (20) issued and unissued existing Shares into one (1) Share in the issued and unissued share capital of the Company, which was effective from Thursday, 27 May 2021
“Share Option(s)”	the 682,885 outstanding share options of the Company to subscribe for 682,885 Shares at the exercise price of HK\$3.30 per Share granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 19 September 2016
“Shell Electric”	Shell Electric Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, and a controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.80
“substantial shareholder(s)”	has the meaning ascribed thereto 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 and when translated, for ease of reference and unless otherwise specified, the exchange rate between US\$ and HK\$ is US\$1 = HK\$7.8 which is the same exchange rate used in the Announcement
“%”	per cent.

EXPECTED TIMETABLE

All times and dates in this prospectus refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out below and all dates and deadlines specified in the Prospectus Documents for events in the timetable for (or otherwise in relation to) the Rights Issue are for indicative purpose only. The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

Event	Time and Date 2021
First day of dealings in nil-paid Rights 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 for 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
Despatch of share certificates for the fully-paid Rights Shares and refund cheques in relation to unsuccessful applications	Friday, 2 July
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Monday, 5 July
Last day for free exchange of existing share certificates for new share certificates	Tuesday, 6 July

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in this section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



PFC Device Inc.

節能元件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8231)

Executive Directors:

Mr. Hong James Man-fai (*Chief Executive Officer*)
Mr. Chow Kai Chiu, David

Non-executive Directors:

Mr. Yung Kwok Kee, Billy (*Chairman*)
Mr. Tang Che Yin

Independent Non-executive Directors:

Mr. Lam, Peter
Mr. Leung Man Chiu, Lawrence
Mr. Fan Yan Hok, Philip

Registered Office:

Windward 3, Regatta Office Park,
PO Box 1350,
Grand Cayman KY1-1108,
Cayman Islands

*Head Office and Principal place of
business in Hong Kong:*

1/F, Shell Industrial Building,
12 Lee Chung Street,
Chai Wan, Hong Kong

8 June 2021

*To the Qualifying Shareholders,
and for information only, the Excluded Shareholders*

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement in relation to, among others, the Rights Issue on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date at the subscription price of HK\$0.80 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders.

The Share Consolidation was approved by the Shareholders at the extraordinary general meeting held on Tuesday, 25 May 2021. The Share Consolidation became effective on Thursday, 27 May 2021.

The purpose of this prospectus is to provide you with details regarding the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

LETTER FROM THE BOARD

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every two (2) Shares held on the Record Date
Subscription Price	:	HK\$0.80 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	80,901,613 Shares
Number of Rights Shares to be issued	:	Up to 40,450,806 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of Rights Shares	:	Approximately HK\$8,090,161 (assuming no Shares are issued or repurchased on or before the Record Date)
Total Number of Shares in issue upon completion of the Rights Issue	:	Up to 121,352,419 Shares (assuming no 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 are issued or repurchased on or before the Record Date)

As at the Latest Practicable Date, there are outstanding Share Options for subscription of 682,885 Shares under the Share Option Scheme. Pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules, the Rights Issue 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 Latest Practicable Date, 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, 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 Shares as at the Record Date and approximately 33.3% of the total number of issued Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

LETTER FROM THE BOARD

Undertakings

The Company has not received any information or irrevocable undertaking from the controlling shareholders of the Company or any substantial shareholder of their intention in relation to the Rights Shares to be provisionally allotted to them or application for any excess Rights Shares under the Rights Issue as at the Latest Practicable Date.

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 4.76% to the closing price of HK\$0.84 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 20.00% to the theoretical closing price of HK\$1.00 per 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;
- (iii) a discount of approximately 23.37% to the theoretical average closing price of approximately HK\$1.04 per 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;
- (iv) a discount of approximately 23.37% to the theoretical average closing price of approximately HK\$1.04 per 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;
- (v) a discount of approximately 14.29% to the theoretical ex-rights price of approximately HK\$0.93 per 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;

LETTER FROM THE BOARD

- (vi) a discount of approximately 64.22% to the theoretical consolidated net asset value of the Company of approximately HK\$2.24 per 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 Shares; and
- (vii) 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 Share to the benchmarked price of HK\$1.044 per 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. The Board noted the discount of approximately 64.22% to the net asset value mentioned in paragraph (vi) above. Nevertheless, taking into account the fact that the Shares were traded at a discount to the net asset value per Share over the 12-month period up to and including the Last Trading Day, ranging from approximately 10.61% to 71.82%, with an average of approximately 55.33%. Accordingly, the Board is of the view that it is fair and reasonable to make reference to the prevailing market price of the Shares, rather than the net asset value per Share as at 31 December 2020 in determining the Subscription Price and that the net asset value per Share may not be a meaningful reference to determine the Subscription Price. 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\$0.77.

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 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.

LETTER FROM THE BOARD

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 (together with the relevant share certificate(s)) must be lodged with the Registrar 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.

The Company has sent the Prospectus Documents to the Qualifying Shareholders. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a separate remittance by cheque or banker's cashier order for the full amount payable for the Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before the Latest Time for Acceptance.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company (or which are held in CCASS) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies 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.

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.

Rights of Overseas Shareholders

The Prospectus Documents have not been registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send copies of this prospectus to the Excluded Shareholders for their information only, but will not send the PAL to them. Overseas Shareholders may not be eligible to take part in the Rights Issue.

According to the register of members of the Company as at the Latest Practicable Date, there were 6 Overseas Shareholders with registered addresses situate in Taiwan and Canada, holding 903,012 Shares and 135,191 Shares, respectively.

The Directors have, in compliance with Rule 17.4(1) of the GEM Listing Rules, made enquiries regarding the legal restrictions under the laws of Canada and Taiwan and the requirements of the regulatory bodies or stock exchange of these places with respect to extending the Rights Issue to such Overseas Shareholders.

LETTER FROM THE BOARD

The Company has been advised that the extension of the Rights Issue to Overseas Shareholders in Canada and Taiwan would or might, in the absence of compliance with the registration requirements under the relevant legislation or regulations of Canada and Taiwan, respectively, be unlawful or impracticable, and compliance with the registration or other formalities in the relevant jurisdictions could be costly and time-consuming, given the small number of Overseas Shareholders with registered address in Canada or Taiwan. The Directors have determined that it would not be necessary or expedient to extend the Rights Issue to the Overseas Shareholders located in Canada and Taiwan, and accordingly, such Overseas Shareholders are Excluded Shareholders.

It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith.

Any acceptance of or application for Rights Shares by any person will constitute a representation and warranty from such person to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions other than Hong Kong, in connection with the PAL or EAF and any acceptance of it, have been, or will be, duly complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that in doing so would violate the applicable laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

Receipt of a copy of any Prospectus Documents does not and will not constitute an offer to the Excluded Shareholder(s) or any other persons in any territories in which it would be unlawful to make an offer, and in such circumstances a prospectus is sent for information only and should not be copied or distributed.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholder(s), to be sold in the market in their nil-paid form 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, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholder(s) in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholder(s) and any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of the nil-paid Rights Shares will be made available for excess application under EAFs by the Qualifying Shareholders.

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.

LETTER FROM THE BOARD

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) 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 Latest Time for Acceptance.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and issue fractions of the 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 made available for excess application by the Qualifying Shareholders under the EAFs (if any).

Application for listing of the Rights Shares

The Company has applied 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 Shares in one board lot.

Dealings in the Rights Shares in both 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.

LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Rights Shares in their fully-paid form to be admitted into CCASS.

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. Each Shareholder will receive one share certificate for all allotted Rights Shares. 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 the part of the relevant Shareholder to make a general offer under the Takeovers Code.

LETTER FROM THE BOARD

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 Registrar of Companies 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 this prospectus to the Excluded Shareholder(s), if any, and 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 Latest Time for Acceptance, the Rights Issue will not proceed.

As at the Latest Practicable Date, condition (a) above has been fulfilled.

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this prospectus a PAL which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a separate remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Wednesday, 23 June 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**PFC DEVICE INC. – RIGHTS ISSUE ACCOUNT**" and crossed "**ACCOUNT PAYEE ONLY**".

LETTER FROM THE BOARD

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Wednesday, 23 June 2021, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application under the EAFs by the Qualifying Shareholders. The Company may, at its sole and absolute discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions in the PAL. The Company may require such incompleted PAL to be completed by the relevant person at a later stage.

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Tuesday, 15 June 2021 with the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection at the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders accompanying completed PALs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. No receipt will be given in respect of any application monies received.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in the nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Friday, 2 July 2021.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply, by way of excess application, for (i) any unsold entitlements to the Rights Shares of the Excluded Shareholders; (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; and (iii) aggregation of fractions of the Rights Shares which are not sold (if any).

Application for excess Rights Shares can be made only by completing and signing the EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the sum payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 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 by the Qualifying Shareholders through applications by the PAL or the number of Shares held by Qualifying Shareholders. No preference will be given to topping-up odd lots to whole board lots. Pursuant to Rule 10.31(3)(b) of the GEM Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates, whether in their own names or through nominees. The Company shall disregard their applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by them under their assured entitlements to the Rights Shares.

In the event that the Board notes unusual patterns of excess Rights Shares applications, the Board will review those applications and if the Board has reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

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.

LETTER FROM THE BOARD

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Wednesday, 23 June 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to **"PFC DEVICE INC. – EXCESS APPLICATION ACCOUNT"** and crossed **"ACCOUNT PAYEE ONLY"**.

If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the remittance tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post at his/her/its own risk by the Registrar on or before Friday, 2 July 2021. If the number of excess Rights Shares allotted to a Qualifying Shareholder is less than that applied for, the surplus application monies is also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to his/her/its registered address at his/her/its own risk by the Registrar on or before Friday, 2 July 2021.

All cheques or cashier's orders accompanying completed EAFs will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier's order is dishonoured on first presentation. No receipt will be given in respect of any application monies received.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions.

The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" above is not fulfilled by the Latest Time for Acceptance, the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 2 July 2021.

LETTER FROM THE BOARD

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, the Company has appointed Lego Securities Limited, as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holding of odd lots of the Rights Shares. Shareholders who wish to take advantage of this facility should contact Mr. Lin Chun Ting or Mr. Li Wing Chung of Lego Securities Limited at Room 301, 3/F, China Building, 29 Queen's Road Central, Hong Kong (telephone number: (852) 3188 8052/(852) 3188 8055) from 9:00 a.m. on Thursday, 10 June 2021 to 4:00 p.m. on Friday, 2 July 2021.

Holders of odd lots of the Rights Shares should note that successful matching of the sale and purchase of odd lots of the Rights Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lot arrangement, is recommended to consult his/her/its own professional advisers.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders (if any), their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasized that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Shares in both their nil-paid and fully paid forms.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares on or before the Record Date, the table below set out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares):

Name of Shareholder	As at the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up the Rights Shares)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Lotus Atlantic Limited (<i>Note</i>)	47,456,396	58.66	71,184,593	58.66
Other Shareholders	<u>33,445,217</u>	<u>41.34</u>	<u>50,167,826</u>	<u>41.34</u>
Total	<u>80,901,613</u>	<u>100.00</u>	<u>121,352,419</u>	<u>100.00</u>

Note: Lotus Atlantic Limited is an indirectly wholly-owned subsidiary of Shell Electric, which is owned as to 80.5% by Red Dynasty Investments Limited. Mr. Yung, the chairman and the non-executive Director of the Company, is interested in 100% of the issued share capital of Red Dynasty Investments Limited.

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\$1.2 million) are estimated to be approximately HK\$31.2 million.

LETTER FROM THE BOARD

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, the controlling shareholder of the Company and its subsidiaries (other than the Group); 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.

The Company has received the indicative terms of the shareholders' loans from Shell Electric and its subsidiaries. The loan tenor shall be for a term of five years from the date of each drawdown. The interest on each drawdown of the shareholders' loans shall be charged at the rate ranging from 2% to 4% per annum and payable every three months depending on the currency of each drawdown. The shareholders' loans will not be secured by any assets of the Group. The terms of the shareholders' loans (including but not limited to the interest rate) will be agreed upon by the parties after arm's length negotiations, which will be on normal commercial terms or better and having regard to the prevailing market terms (including terms of loans of comparable duration, nature and currency) of offer from third party financial institutions and/or comparable transactions of companies listed on the Stock Exchange. The Board expects that the Group will enter into the loan agreement(s) with Shell Electric and its subsidiaries in the second half of 2021.

Currently, the Group outsources the wafer fabrication process for the production of all of its power discrete semiconductors to external wafer foundries. The Board believes that the increasing demand for high speed wireless communications in various sectors will continue to raise the demand for 5G devices. Also, the Board is of the view that automotive manufacturers demand more 5G and AI computing devices for the development of more advanced and self-driving vehicles, therefore, 5G and AI computing devices will become the important electronic applications driving growth in semiconductors market in the coming years. 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. The Board expects that the global shortage of semiconductors caused by the COVID-19 was likely to be prolonged for years because of the (i) limited production capacity for less-advanced and widely used semiconductors; and (ii) surge in demand driven by the increasing production of electronic products in expectation of a post-pandemic economic recovery. 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.

LETTER FROM THE BOARD

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 shareholder of the Company and its subsidiaries (other than the Group) 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 shareholdings 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 the 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. The Company will make further announcement(s) on such adjustments on the construction plan as and when appropriate.

Other than the Rights Issue, as at the Latest Practicable Date, the Company does not have any concrete plan to conduct any fund raising activities in the next twelve months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising activities when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

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 conducted any equity fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. The Board believes the significant risks relating to the business are as follows:

- (i) the Group's production process requires that the Group obtains adequate supplies of raw materials. Any shortage in the supply of raw materials may result in occasional industry wide price adjustments and delivery delays, which may adversely affect the Group's operations;
- (ii) the Group may encounter technological obsolescence relating to the Group's production machinery and production methods due to changes in technologies, which may in turn materially and adversely affect the Group's operations;
- (iii) the Group may not compete effectively on the quality of the Group's products which could result in loss of customers and adversely affect the Group's operations; and
- (iv) the direct users of the Group's products use the Group's products to manufacture power supply units for a variety of electronic applications. If the overall consumer demand for the end-products of the direct users declines as a result of changes in global economic conditions, the Group's operations may be adversely affected.

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

Shareholders and potential investors should note that the Rights Issue is conditional upon the conditions set out in the paragraph headed "Conditions of the Rights Issue" including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt in on an ex-rights basis from Friday, 28 May 2021 and that dealing in the Rights Shares in the nil-paid form will take place from Thursday, 10 June 2021 to Friday, 18 June 2021 (both days inclusive) while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on Thursday, 24 June 2021), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

LETTER FROM THE BOARD

PRECAUTIONARY MEASURES BY THE REGISTRAR

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, precautionary measures such as compulsory body temperature check and compulsory wearing of surgical face masks will be implemented on every Shareholder/visitor at the Registrar's office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. In addition, the Registrar will encourage the Shareholders/visitors to keep proper social distancing and make enough hand sanitizer available for use from time to time.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this prospectus.

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

1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020. The aforesaid annual reports of the Company are available on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.pfc-device.com>).

Set out below are links to the relevant annual reports of the Company:

- (a) Annual report of the Company for the year ended 31 December 2018 (pages 62 to 155):

<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328125.pdf>

- (b) Annual report of the Company for the year ended 31 December 2019 (pages 40 to 95):

<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0327/2020032700794.pdf>

- (c) Annual report of the Company for the year ended 31 December 2020 (pages 49 to 99):

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0329/2021032900452.pdf>

2. INDEBTEDNESS STATEMENT

As at 30 April 2021, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this prospectus, details of the Group's outstanding indebtedness were set out as follows:

	As at 30 April 2021
	<i>US\$'000</i>
	(unaudited)
Current liabilities	
Amounts due to fellow subsidiaries	96
Lease liabilities	161
	<hr/>
	257
	<hr/> <hr/>

The outstanding indebtedness as at 30 April 2021 were primarily denominated in Taiwan dollar and Renminbi.

Amounts due to fellow subsidiaries

The amounts due to fellow subsidiaries are unsecured and unguaranteed, interest-free and repayable on demand.

Lease liabilities

Lease liabilities are secured by rental deposits and unguaranteed. These lease liabilities related to certain production workshop, warehouse, office premises and staff dormitory leased by the Group as a lessee.

Contingent liabilities

As at 30 April 2021, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital, bank overdrafts, loans, debt securities and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at 30 April 2021.

Subsequent to 30 April 2021, the Group obtained bank borrowings for export bills financing. As at the Latest Practicable Date, the outstanding amount of such bank borrowings was approximately US\$1.1 million.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 April 2021 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the existing cash and bank balances, the available shareholder's loan facility, and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for at least 12 months from the date of this prospectus in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

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

As disclosed in the annual report of the Company for the year ended 31 December 2020, revenue from the Group's operations for the year ended 31 December 2020 amounted to approximately US\$21.1 million, representing an increase of approximately US\$3.1 million or 17.2% as compared to approximately US\$18 million for 2019. Profit attributable to the owners of the Company for the year ended 31 December 2020 was approximately US\$0.6 million as compared to a loss attributable to owners of the Company of approximately US\$1.4 million in 2019. The turnaround from loss to profit was mainly attributable to the increase in gross profit of the Company of approximately US\$2.3 million for the year ended 31 December 2020 as compared to which for 2019.

As disclosed in the annual report of the Company for the year ended 31 December 2020, as at 31 December 2020, the total assets and total liabilities of the Group amounted to approximately US\$27.0 million and US\$3.8 million, respectively.

As disclosed in the quarterly report of the Company for the three months ended 31 March 2021, revenue from the Group's operations for the three months ended 31 March 2021 amounted to approximately US\$5.47 million, representing an increase of US\$2.25 million or around 70.0% as compared to approximately US\$3.22 million for the corresponding period in 2020. Such increase was primarily attributable to the increase in sales volume as the world economy was slowly opening up again from COVID-19 lockdown.

For the three months ended 31 March 2021, the production at the Company's factory in Shunde, China was over 40 million pieces of finished goods, representing an increase of over 18.5 million pieces as compared to the corresponding period in 2020. The production utilization rate of the Company's factory was well above 90%. The Company expected that 2021 will be a strong growth year for the semiconductor industry and the expect demand will continue to outstrip supply. The Group will continue to expand its production capacity to meet the growing demand.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net assets of the Group as at 31 December 2020 as extracted from the published annual report of the Company for the year ended 31 December 2020 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2020. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

				Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after the completion of the Rights Issue (Note 4) US\$
Consolidated net tangible assets of the Group as at 31 December 2020 (Note 1) US\$'000	Estimated net proceeds from the Rights Issue (Note 2) US\$'000	Unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2020 US\$'000	Consolidated net tangible assets per Share before the Completion of the Rights Issue (Note 3) US\$	
Based on 40,450,806 Rights Shares to be issue at the Subscription Price of HK\$0.80 per share				
23,191	4,017	27,208	0.2867	0.2242

Notes:

- 1) The amount of consolidated net tangible assets of the Group as at 31 December 2020 was approximately US\$23,191,000 as at 31 December 2020, which is extracted from the published annual report of the Group for the year ended 31 December 2020.
- 2) The estimated net proceeds from the Rights Issue of approximately HK\$31,161,000 (equivalent to approximately US\$4,017,000) are based on 40,450,806 Rights Shares to be issued (in the proportion of one rights share for every two consolidated shares) at the Subscription Price of HK\$0.80 per Rights Share, after deduction of the estimated related expenses, including among others, transaction fees, which are directly attributable to the Rights Issue, of approximately HK\$1,200,000.
- 3) The consolidated net tangible assets of the Group per share before the completion of the Rights Issue is determined based on the consolidated net tangible assets of the Group as at 31 December 2020 of approximately US\$23,191,000 as disclosed in note 1 above, divided by 80,901,613 Shares of the Company in issue as at 31 December 2020 (assuming the consolidation of every twenty issued and unissued Shares of HK\$0.01 each into one consolidated share of HK\$0.20 (“Share Consolidation”) became effective on 31 December 2020). The Share Consolidation was approved by the shareholders of the Company on 25 May 2021 and became effective on 27 May 2021.
- 4) The unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Rights Issue per share is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2020 for the Rights Issue of approximately US\$27,208,000 divided by Shares which comprise 80,901,613 Shares in issue as at 31 December 2020 (assuming the Share Consolidation became effective on 31 December 2020) and 40,450,806 Rights Shares to be issued after the completion of the Rights Issue, assuming that no outstanding share options of the Company will be exercised.
- 5) For the purpose of the Unaudited Pro Forma Financial Information, conversion of US\$ and HK\$ is calculated at the exchange rate of US\$0.1289 to HK\$1.0. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
- 6) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2020.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the accountants' report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's Unaudited Pro Forma Financial Information prepared for the purpose of inclusion in this prospectus.



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TO THE BOARD OF DIRECTORS OF PFC DEVICE INC.

(Incorporated in the Cayman Islands with limited liability)

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of PFC Device Inc. (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2020 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II to the prospectus issued by the Company dated 8 June 2021 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of one rights share for every two consolidated shares held on the record date at the subscription price of HK\$0.80 per rights share (“**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets as at 31 December 2020 as if the Rights Issue had taken place at 31 December 2020. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 December 2020, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

8 June 2021

1. RESPONSIBILITY STATEMENT

This prospectus, 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 prospectus 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 prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) immediately upon completion of the Rights Issue are set out as follows:

- (i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
190,000,000	Shares	38,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>		
80,901,613	Shares	16,180,322.60

- (ii) Immediately after completion of the Rights Issue assuming all the Rights Shares are taken up

<i>Authorised:</i>		<i>HK\$</i>
190,000,000	Shares	38,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>		
80,901,613	Shares	16,180,322.60
40,450,806	Shares in issue immediately upon completion of the Rights Issue	8,090,161.20
121,352,419		24,270,483.80

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company or their associates in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Shares and underlying Shares:

Name of the Directors	Nature of interest	Number of Shares held/ interested in	Number of underlying Shares held/ interested in	Total interest	Approximate percentage of issued share capital
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation (Note 1)	47,456,396	–	47,456,396	58.66%
Mr. Hong James Man-fai ("Mr. Hong")	Beneficial interest	453,582	270,417 (Note 2)	723,999	0.89%
Mr. Chow Kai Chiu, David ("Mr. Chow")	Beneficial interest	135,191	–	135,191	0.17%
Mr. Tang Che Yin ("Mr. Tang")	Beneficial interest	–	140,000 (Note 3)	140,000	0.17%

Notes:

1. Mr. Yung is interested in 100% of the issued share capital of Red Dynasty Investments Limited. Red Dynasty Investments Limited holds 80.5% interest in Shell Electric. Lotus Atlantic Limited is wholly and beneficially owned by Sybond Venture Limited, and Sybond Venture Limited is wholly and beneficially owned by Shell Electric. Mr. Yung is therefore deemed to be interested in 47,456,396 Shares held by Lotus Atlantic Limited which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.
2. These underlying Shares represent 270,417 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Hong on 22 March 2017 pursuant to the Share Option Scheme under which the said options can be exercised by Mr. Hong from 1 April 2017 to 31 March 2027 (both days inclusive) at the exercise price of HK\$3.30 per Share (without taking into account the adjustment to the exercise price and/or the number of Shares falling to be issued upon the exercise of the outstanding Share Options as a result of the Rights Issue).
3. These underlying Shares represent 140,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Tang on 22 March 2017 pursuant to the Share Option Scheme under which the said options can be exercised by Mr. Tang from 1 April 2017 to 31 March 2027 (both days inclusive) at the exercise price of HK\$3.30 per Share (without taking into account the adjustment to the exercise price and/or the number of Shares falling to be issued upon the exercise of the outstanding Share Options as a result of the Rights Issue).

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company has any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as the Directors were aware, the following persons (other than the Directors and the chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares:

Long position in Shares

Name of Shareholder	Nature of interest	Number of Shares held/interested in	Approximate percentage of issued share capital
Lotus Atlantic Limited	Beneficial owner	47,456,396 (Note 1)	58.66%
Sybond Venture Limited	Interest in a controlled corporation	47,456,396 (Note 1)	58.66%
Shell Electric	Interest in a controlled corporation	47,456,396 (Note 1)	58.66%
Red Dynasty Investments Limited	Interest in a controlled corporation	47,456,396 (Note 1)	58.66%
Mr. Yung	Interest in a controlled corporation	47,456,396 (Note 1)	58.66%
Ms. Vivian Hsu	Interest of spouse	47,456,396 (Note 2)	58.66%

Notes:

1. Lotus Atlantic Limited is an indirectly wholly-owned subsidiary of Shell Electric, which is owned as to approximately 80.5% by Red Dynasty Investments Limited. Mr. Yung, the chairman and the non-executive Director of the Company, is interested in 100% of the issued share capital of Red Dynasty Investments Limited.
2. These Shares represent the interest held by Lotus Atlantic Limited which is a controlled corporation of Mr. Yung. Ms. Vivian Hsu (“**Mrs. Yung**”) is the spouse of Mr. Yung. Under the SFO, Mr. Yung is deemed to be interested in all of the Shares owned by Lotus Atlantic Limited and Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is interested.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares.

4. COMPETING INTERESTS OF DIRECTORS

On 30 August 2018, SMC Multi-Media Products Company Limited (“**MM Products**”), a wholly-owned subsidiary of Shell Electric and controlled by Mr. Yung, notified the Company (the “**Notice**”) that MM Products was approached by a potential customer which expressed interest in placing order with MM Products for the production of a semi-conductor product, MOSFET, for automobile industrial use. The production of MOSFET was considered to constitute competition with the business of the Group and accordingly was regarded as a competing business opportunity and the Group shall be provided with information for its independent non-executive Directors’ consideration to come to an informed assessment of such competing business opportunity. The Notice further suggested that MM Products and the Company to form a joint venture to capture the competing business opportunity as MM Products owned certain idle machinery that could contribute towards producing such products while the Group has other necessary machinery, manpower and other resources to contribute in the production. Having taken into account the information provided by Mr. Yung in relation to the competing business opportunity and considering that (i) the customer has requested the controlling shareholder of the joint venture to be a company owned by Mr. Yung, (ii) the Company does not need to buy certain additional machineries for the production of the required MOSFET parts since MM Products already has such machinery, and (iii) the relevant machinery of the Group and that of MM Products are located in the same production plant in Shunde, China. All the independent non-executive Directors approved the setting up of the joint venture to capture the competing business opportunity. A shareholders agreement was approved to be entered into between PFC Device Holdings Limited (a wholly-owned subsidiary of the Company) and MM Products for the setting up of a joint venture under the name of SMC Micro-Tech (BVI) Limited, with registered capital of HK\$1.0 million to be contributed and owned as to 49.0% and 51.0% by the Group and MM Products, respectively. The joint venture is engaged in the manufacturing, researching, developing and marketing of industrial use semi-conductor products under its own brand.

For further details, please refer to the paragraph headed “Compliance of Non-Competition Undertaking” on pages 54-55 of the Company’s annual report for the year ended 31 December 2018.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, the substantial shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person has or may have with the Group which would be required to be disclosed pursuant to the GEM Listing Rules.

5. INTERESTS OF DIRECTORS IN ASSETS AND CONTRACTS

On 5 November 2020, the Group entered into five tenancy agreements with companies indirectly owned by Mr. Yung in relation to the lease of production workshop, factory, office and staff dormitory currently operated by the Group for its business for a term of one year from 1 January 2021 to 31 December 2021.

On 5 November 2020, the Group entered into a subcontracting agreement with a company indirectly owned by Mr. Yung in relation to the provision of wafer backside process services to the Group for a term of one year from 1 January 2021 to 31 December 2021.

On 7 January 2019, the Group entered into a supply agreement with a company indirectly owned by Mr. Yung in relation to the sale of power discrete semiconductors or other products by the Group for a term of three years from 1 January 2019 to 31 December 2021.

On 31 December 2018, the Group entered into a catering service agreement with a company indirectly owned by Mr. Yung in relation to the provision of catering services to the Group's staff for a term of three years from 1 January 2019 to 31 December 2021.

On 31 December 2019, the Group entered into a dormitory rental agreement with a company indirectly owned by Mr. Yung in relation to the lease of staff dormitory for the Group's staff for a term of three years from 1 January 2020 to 31 December 2022.

For further details of related party transactions entered into with the companies indirectly owned by Mr. Yung, please refer to the Company's announcements dated 5 November 2020 and 17 November 2020.

Save as disclosed above, as at the Latest Practicable Date:

- (a) none of the Directors had any interest, either direct or indirect, in any assets which have, since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting and is significant in relation to the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which was not determinable within one year without payment of compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

There were no material contracts (being contracts not entered into in the ordinary course of business of the Group) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date, and are or may be material.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion and advice which is contained in this prospectus:

Name	Qualification
BDO Limited	Certified Public Accountants

As at the Latest Practicable Date, BDO Limited did not have any interest, directly or indirectly, in the share capital of any member of the Group, did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

BDO Limited has given and has not withdrawn its written letters of consent to the issue of this prospectus with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they appear.

10. CORPORATE INFORMATION AND THE PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Windward 3 Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office and principal place of business in Hong Kong	1/F Shell Industrial Building 12 Lee Chung Street Chai Wan Hong Kong
Authorised representatives	Mr. Chow Kai Chiu, David 1/F Shell Industrial Building 12 Lee Chung Street Chai Wan Hong Kong Mr. Hong James Man-fai 1/F Shell Industrial Building 12 Lee Chung Street Chai Wan Hong Kong
Compliance officer	Mr. Chow Kai Chiu, David
Company secretary	Ms. Lee Ka Man <i>(associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom)</i>
Financial adviser to the Company	FDB Financial Group Limited Room 1801-02, 18/F Alliance Building Nos.130-136 Connaught Road Central Sheung Wan Hong Kong

Legal adviser to the Company	<i>as to Hong Kong law</i> Kwok Yih & Chan Suite 1501, 15th Floor Bank of America Tower 12 Harcourt Road Central, Hong Kong <i>as to Cayman Islands law</i> Travers Thorp Alberga 1205A, The Centrium 60 Wyndham Street Central Hong Kong
Auditors of the Company	BDO Limited <i>Certified Public Accountants</i> 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
Principal bankers	The Hong Kong and Shanghai Banking Corporation Limited Level 10 HSBC Main Building 1 Queen's Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong
Principal share registrar and transfer office	Ocorian Trust (Cayman) Limited Windward 3 Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

11. PARTICULARS OF DIRECTORS

Executive Directors

Mr. Chow Kai Chiu, David, aged 56, Chartered Financial Analyst, joined the Group in 2006 and was appointed as an executive Director on 21 March 2016. Mr. Chow received his Bachelor degree of Applied Science in Computer Engineering and his Master's degree in Business Administration from the University of Waterloo and York University, Canada. He has previously held positions at First Marathon Securities Limited in Canada, Asian Capital Partners, and HSBC Private Equity (Asia) Limited in the corporate finance and investment management field. He is also a director of all subsidiaries of the Group and the deputy chief executive of Shell Electric.

Mr. Hong James Man-fai, aged 48, was appointed as an executive Director on 21 March 2016. Mr. Hong is the Chief Executive Officer of the Group and primarily responsible for the overall management and operations and the implementation of the strategic planning of the Group. Mr. Hong is also a director of a number of the subsidiaries of the Group. Mr. Hong obtained a Bachelor degree in Electrical Engineering and Computer Science from University of California, Berkeley, USA and a Master of Business Administration from University of Southern California, USA. Mr. Hong has more than 20 years of experience in the manufacturing and retail of semiconductor products with extensive knowledge in business development of semiconductor product. Prior to joining the Group, Mr. Hong was employed by Advanced Micro Devices, Inc., Pittiglio Rabin Todd & McGrath, APD Semiconductor, Inc., Diodes Incorporated, and Skyworks Solutions, Inc.

Non-executive Directors

Mr. Yung Kwok Kee, Billy, aged 67, was appointed as a Director on 2 March 2016 and was re-designated as a non-executive Director and Chairman of the Board on 19 September 2016. Mr. Yung is primarily responsible for the strategic direction and overall management of the strategic planning of the Group. Mr. Yung is the Chairman of the Nomination Committee and a member of both the Audit Committee and the Remuneration Committee of the Company. He is a substantial shareholder of the Company. Mr. Yung is also a director of a number of the subsidiaries of the Group.

Mr. Yung obtained a bachelor degree in Electrical Engineering from University of Washington, USA and a master degree in Industrial Engineering from Stanford University, USA. Mr. Yung has over 40 years of experience in managing manufacturing, transportation, property investment and development, semiconductor and computer hardware and software businesses in China, Hong Kong and USA.

Prior to founding the Group, Mr. Yung had been the executive director of Shell Electric Mfg. (Holdings) Co. Ltd., now known as China Overseas Grand Oceans Group Ltd. from 1973 to 2010, shares of which are listed on the Main Board of the Stock Exchange (stock code: 0081). Since 27 February 2010, Mr. Yung has become a non-executive director and vice chairman of the board of that company. Mr. Yung has been the chairman and the chief executive of Shell Electric since 2009. Mr. Yung is currently a non-executive director and chairman of the board of directors of SMC Electric Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 2381). Mr. Yung is currently the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association, a member of Senior Police Call Central Advisory Board and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

Mr. Tang Che Yin, aged 65, was appointed as a Director on 21 March 2016 and was re-designated as a non-executive Director on 19 September 2016. Mr. Tang is primarily responsible for assisting the chairman of the Board in the overall management of the strategic planning and overseeing the human resource and operation of the Group's China manufacturing operation. Mr. Tang is also a director of Guangdong PFC Device Limited.

Mr. Tang obtained his Master of Science from the University of Manchester of the United Kingdom and his Master degree of Business Administration from the Chinese University of Hong Kong. He was elected as a member of The Institution of Electronic and Radio Engineers in April 1986. He obtained the qualification of Chartered Engineer of The Engineering Council in the United Kingdom. He was admitted as a Chartered Electrical Engineer by the Institution of Electrical Engineers. Mr. Tang has over 20 years of experience in technical and factory management. Mr. Tang is currently an executive director of SMC Electric Limited, shares of which are listed on the Main Board of the Stock Exchange (stock code: 2381).

Independent Non-Executive Directors

Mr. Lam, Peter, aged 69, was appointed as an independent non-executive Director on 19 September 2016. He is also a member of both the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam received a Bachelor degree in Civil Engineering from Lehigh University and a Master degree in Construction Management from Stanford University. He is the President of Lam Construction Group Limited. He has over 30 years of experience in construction, project management and real estate development.

Mr. Leung Man Chiu, Lawrence, aged 73, was appointed as an independent non-executive Director on 19 September 2016. He is also the chairman of the Audit Committee of the Company. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has been in public practice for over 47 years and is now practicing as a partner in Tang and Fok, certified public accountants. Mr. Leung is currently an independent non-executive director of Safety Godown Company Limited (stock code: 237), Pak Fah Yeow International Limited (stock code: 239) and SMC Electric Limited (stock code: 2381), shares of which are listed on the Main Board of the Stock Exchange. Mr. Leung ceased to be a non-executive director of World Super Holdings Limited with effect from 21 July 2020, shares of which are listed on the GEM of the Stock Exchange (stock code: 8612).

Mr. Fan Yan Hok, Philip, aged 71, was appointed as an independent non-executive Director on 19 September 2016. He is also the chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. Mr. Fan is also an independent non-executive director of the following Hong Kong listed public companies, namely China Everbright Environment Group Limited (formerly known as China Everbright International Limited), Hysan Development Company Limited, First Pacific Company Limited, China Aircraft Leasing Group Holdings Limited.

Business address of the Directors

The business address of the Directors is the same as the Company's head office and principal place of business in Hong Kong at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

Audit committee

The Company's audit committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. Leung Man Chiu, Lawrence, Mr. Fan Yan Hok, Philip and Mr. Yung. The audit committee is primarily responsible to (i) make recommendations to the Board on the appointment, re-appointment and removal of the Company's external auditor; (ii) review and monitor the Company's external auditor's independence and objectivity and the effectiveness of the audit process; (iii) monitor integrity of the Company's financial statements and financial reports and review significant financial reporting judgements contained in them; (iv) maintain the effectiveness of risk management and internal control systems; (v) review the financial and accounting policies and practices of the Group; (vi) review the external auditor's management letter, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response; (vii) ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and (viii) report to the Board on that matters pursuant to the terms of reference of the Audit Committee and consider other topics as defined by the Board.

12. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$1.2 million and will be payable by the Company.

13. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application or acceptance is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so far as applicable.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed “Expert and Consent” in this Appendix have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of the Company in Hong Kong at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong for a period of 14 days from the date of this prospectus:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020;
- (c) the accountants’ report on the unaudited pro forma financial information of the Group from BDO Limited set out in Appendix II to this prospectus;
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix III; and
- (e) this prospectus.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In case of inconsistency, the English text of the Prospectus Documents shall prevail over their respective Chinese text.
- (c) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities and the Board believes that, after taking into account the working capital position of the Group, the Group has sufficient foreign exchange to meet its foreign exchange liabilities as they become due.