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PFC Device Inc.
節能元件有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8231)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)**

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 that 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.

*This announcement, for which the directors (the “**Directors**”) of PFC Device Inc. (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM RESULTS

The board of Directors (“**the Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Revenue	4	6,243	6,165	11,709	9,384
Cost of sales		(4,849)	(4,262)	(9,160)	(7,019)
Gross profit		1,394	1,903	2,549	2,365
Other income		25	48	55	59
Selling and distribution expenses		(44)	(46)	(85)	(80)
Administrative expenses		(921)	(874)	(1,807)	(1,750)
Other operating expenses		(36)	(93)	(76)	(122)
Finance costs		(2)	(3)	(3)	(5)
Other (losses)/gains		(22)	(12)	5	27
Profit before income tax	5	394	923	638	494
Income tax expense	6	(18)	(97)	(71)	(103)
Profit for the period attributable to owners of the Company		376	826	567	391
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange difference arising from translation of overseas operations		343	84	185	(122)
Total comprehensive income for the period attributable to owners of the Company		719	910	752	269
		<i>US cents</i>	<i>US cents (restated)</i>	<i>US cents</i>	<i>US cents (restated)</i>
Earnings per share	8				
– Basic		0.465	1.021	0.701	0.483
– Diluted		0.445	0.983	0.673	0.465

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	<i>Notes</i>	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		5,533	6,163
Right-of-use assets		123	244
Prepayments for acquisition of property, plant and equipment		6,449	196
Deferred tax assets		195	241
		<u>12,300</u>	<u>6,844</u>
Current assets			
Inventories		6,050	5,252
Trade and other receivables, deposits and prepayments	9	5,723	5,293
Amount due from a fellow subsidiary		4	5
Cash and bank balances		9,086	9,594
		<u>20,863</u>	<u>20,144</u>
Current liabilities			
Trade and other payables	10	3,603	3,330
Deposit received from rights issue	11	4,168	–
Lease liabilities		123	244
Amounts due to fellow subsidiaries		188	182
Bank borrowings		1,088	–
Tax payable		50	41
		<u>9,220</u>	<u>3,797</u>
Net current assets		<u>11,643</u>	<u>16,347</u>
Total assets less current liabilities/Net assets		<u><u>23,943</u></u>	<u><u>23,191</u></u>
CAPITAL AND RESERVES			
Share capital		2,085	2,085
Reserves		21,858	21,106
Total equity		<u><u>23,943</u></u>	<u><u>23,191</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital US\$'000	Share premium* US\$'000	Share option reserve* US\$'000	Merger reserve* US\$'000	Capital contribution* US\$'000	Translation reserve* US\$'000	Accumulated losses* US\$'000	Total equity US\$'000
Six months ended 30 June 2020 (unaudited)								
At 1 January 2020	2,085	21,067	206	905	1,247	(715)	(3,446)	21,349
Profit for the period	-	-	-	-	-	-	391	391
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	-	-	-	-	-	(122)	-	(122)
Total comprehensive income for the period	-	-	-	-	-	(122)	391	269
Vested share options forfeited	-	-	(19)	-	-	-	19	-
Transactions with owner:								
Share-based payment expense of options granted by the Company in 2017	-	-	4	-	-	-	-	4
At 30 June 2020	2,085	21,067	191	905	1,247	(837)	(3,036)	21,622
Six months ended 30 June 2021 (unaudited)								
At 1 January 2021	2,085	21,067	143	905	1,247	477	(2,733)	23,191
Profit for the period	-	-	-	-	-	-	567	567
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	-	-	-	-	-	185	-	185
Total comprehensive income for the period	-	-	-	-	-	185	567	752
At 30 June 2021	2,085	21,067	143	905	1,247	662	(2,166)	23,943

* The total of these equity accounts at the end of the reporting period represents “Reserves” in the unaudited condensed consolidated statement of financial position.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before income tax	638	494
Total non-cash adjustments	754	657
Total working capital adjustments	(643)	1,287
	<hr/>	<hr/>
Cash generated from operations	749	2,438
Income tax paid	(15)	(21)
	<hr/>	<hr/>
Net cash generated from operating activities	734	2,417
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	49	17
Prepayment for purchase of property, plant and equipment	(6,341)	–
Purchase of property, plant and equipment	(84)	(170)
	<hr/>	<hr/>
Net cash used in investing activities	(6,376)	(153)
	<hr/>	<hr/>
Cash flows from financing activities		
Proceeds from bank borrowings	1,088	–
Payment of principal element of lease liabilities	(123)	(112)
Payment of interest element of lease liabilities	(3)	(5)
Remittance from subscription of rights issue	4,168	–
Share issue expenses	(64)	–
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	5,066	(117)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(576)	2,147
Cash and cash equivalents at beginning of the period	9,594	6,803
Effect of foreign exchange rate change	68	21
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>9,086</u>	<u>8,971</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

PFC Device Inc. (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 7 October 2016.

The address of its registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

The Group, comprising the Company and its subsidiaries, is principally engaged in manufacturing and sales of power discrete semiconductors.

The Company’s holding company is Lotus Atlantic Limited (“**Lotus Atlantic**”), a company incorporated in the British Virgin Islands and the directors of the Company consider its ultimate holding company is Shell Electric Holdings Limited (“**Shell Holdings**”), a company incorporated in Bermuda.

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 have not been audited but have been reviewed by the Audit Committee, and were approved for issue by the directors on 5 August 2021.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020 (the “**2020 Annual Financial Statements**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial information have been prepared under the historical cost basis.

The unaudited condensed consolidated interim financial information are presented in United States dollars (“**US\$**”), which is the same as the functional currency of the Company. All valued are rounded to the nearest thousand except when otherwise indicated.

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2020 Annual Financial Statements except for those new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2020 Annual Financial Statements.

3. ADOPTION OF NEW OR REVISED HKFRSs

During the current period, the Group has applied for the first time the following new standard, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2021.

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform – Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

The adoption of the above new or revised HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

At the date of authorisation of the unaudited condensed consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the unaudited condensed consolidated financial statements of the Group.

4. REVENUE

The Group derives its revenue from contracts with customers within the scope of HKFRS 15, which is recognised at a point in time:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of power discrete semiconductors	<u>6,243</u>	<u>6,165</u>	<u>11,709</u>	<u>9,384</u>

5. PROFIT BEFORE INCOME TAX

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit before income tax is arrived after charging/(crediting):				
Reversal of write down of inventories to net realisable value	(125)	(153)	(93)	(48)
Depreciation of property, plant and equipment	455	391	871	793
Depreciation of right-of-use assets	61	57	123	114
Employee benefit expenses (including directors' emoluments)				
– Salaries, wages and other benefits	885	824	1,755	1,559
– Contribution to defined contribution retirement plans	43	19	86	43
– Equity-settled share-based payment expense	–	1	–	4
	<u>928</u>	<u>844</u>	<u>1,841</u>	<u>1,606</u>

6. INCOME TAX EXPENSE

The amount of income tax expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Hong Kong profits tax	15	–	23	–
– Other regions of the People's Republic of China (“PRC”)				
– Enterprise Income Tax (“EIT”)	–	100	–	100
	<u>15</u>	<u>100</u>	<u>23</u>	<u>100</u>
Under provision in prior year				
– Other regions of the PRC				
– EIT	1	1	1	1
Deferred tax	<u>2</u>	<u>(4)</u>	<u>47</u>	<u>2</u>
Income tax expense	<u>18</u>	<u>97</u>	<u>71</u>	<u>103</u>

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) on the estimated assessable profits derived from Hong Kong for the period. Profits Tax arising from operations in Taiwan is calculated at 20% (2020: 20%) on the estimated assessable profits for the period. EIT arising from other regions of the PRC is calculated at 25% (2020: 25%) on the estimated assessable income for the period.

7. DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Three months ended 30 June		Six months ended 30 June	
	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)	2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Earnings				
Profit for the period attributable to owners of the Company	376	826	567	391
	80,902	80,902	80,902	80,902
	84,424	84,013	84,220	84,013

	Three months ended 30 June		Six months ended 30 June	
	2021 Number of shares '000 (unaudited)	2020 Number of shares '000 (unaudited) (restated)	2021 Number of shares '000 (unaudited)	2020 Number of shares '000 (unaudited) (restated)
Number of shares				
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share	80,902	80,902	80,902	80,902
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share	84,424	84,013	84,220	84,013

The calculation of the basic earnings per share for the three months and six months ended 30 June 2021 and 2020 are based on the profits attributable to owners of the Company, and the weighted average number of ordinary shares in issue in the respective periods being adjusted for the share consolidation which took place on 27 May 2021.

The calculation of the diluted earnings per share for the three months and six months ended 30 June 2021 and 2020 has been adjusted to take into account of the effect arising from the share consolidation and issue of new shares under rights issue which took place on 27 May 2021 and 2 July 2021 respectively. The computation of the diluted earnings per share for the three months and six months ended 30 June 2021 and 2020 does not assume the exercise of the outstanding share options granted by the Company on 22 March 2017 since the exercise price of the share options exceeds the average market price during the respective periods.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021	31 December 2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
Trade receivables	4,400	4,304
Less: Provision for impairment	<u>—</u>	<u>—</u>
Trade receivables, net	4,400	4,304
Other receivables	246	114
Deposits and prepayments	<u>1,077</u>	<u>875</u>
	<u>5,723</u>	<u>5,293</u>

The Group normally allows a credit period of 30 to 60 days after the month of delivery to its trade customers.

The Group has assessed that the expected credit loss rate was not significant as at 30 June 2021. Accordingly, no loss allowance for trade receivables was recognised.

The ageing analysis of trade receivables (net), based on invoice date, as of the end of the reporting period is as follows:

	30 June 2021	31 December 2020
	<i>US\$'000</i>	<i>US\$'000</i>
	(unaudited)	(audited)
0 to 30 days	2,124	1,760
31 to 60 days	1,520	1,778
61 to 90 days	756	723
Over 90 days	<u>—</u>	<u>43</u>
	<u>4,400</u>	<u>4,304</u>

10. TRADE AND OTHER PAYABLES

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
Trade payables	2,019	1,938
Other payables and accruals	1,584	1,392
	<u>3,603</u>	<u>3,330</u>

The credit period granted by suppliers is normally 30 to 60 days after the month of delivery.

The ageing analysis of trade payables, based on invoice date, as of the end of the reporting period is as follows:

	30 June 2021 US\$'000 (unaudited)	31 December 2020 US\$'000 (audited)
0 to 30 days	1,269	808
31 to 60 days	635	1,019
61 to 90 days	109	105
Over 90 days	6	6
	<u>2,019</u>	<u>1,938</u>

11. EVENTS AFTER THE REPORTING PERIOD

On 23 April 2021, the Board announced that the Company proposed to raise approximately HK\$32.4 million (equivalent to approximately US\$4.2 million) by issuing 40,450,806 rights shares on the basis of one rights share for every two consolidated shares outstanding at a subscription price of HK\$0.80 per rights share. In June 2021, the Group received the proceeds from rights issue amounting to approximately US\$4.2 million which was included in the consolidated statement of financial position.

The rights shares were issued on 2 July 2021 and net proceeds of approximately HK\$31.2 million (equivalent to approximately US\$4 million) were raised by the Company. The number of issued ordinary shares of the Company was increased to approximately 121,352,000 shares and the paid-up share capital of the Company was increased from US\$2,085,000 to US\$3,127,000.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2021, the Group's revenue increased by 24.8% compared with the corresponding period last year as market demand continue to increase.

Due to Covid-19, the Group has seen a big disruption in the supply chain. The Group faced severe shortage of wafer and significant price increase of raw materials ranging from copper to wafer foundry processing fees.

Looking ahead, the Group will continue to adjust the average selling price to improve margin and continue to reduce costs through automation. For the remaining of 2021, the Group continue to see strong demand across all sectors including PC, TV, mobile, automotive, etc.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2021 amounted to US\$11.7 million, representing an increase of US\$2.3 million or 24.8% as compared to US\$9.4 million for the corresponding period in 2020. Such increase was primarily attributable to the increase in the sales volume of power discrete semiconductors.

The Group's gross profit for the six months ended 30 June 2021 amounted US\$2.6 million, representing an increase of US\$0.2 million as compared to US\$2.4 million for the corresponding period in 2020. The gross profit margin for the six months ended 30 June 2021 was 21.8%, representing a decrease of 3.4 percentage points compared to 25.2% for the corresponding period in 2020. It was mainly attributable to the increase in wafer fabrication and other raw materials costs. In addition, the appreciation of Renminbi against US\$ over the period resulted in an increase in the Group's PRC production costs in US\$ terms. These impacts were partly offset by the increase in average selling price along with higher utilization rate at our factory during the period.

Profit attributable to the owners of the Company for the six months ended 30 June 2021 was US\$0.6 million (six months ended 30 June 2020: US\$0.4 million). The increase in profit was mainly attributable to the increase in gross profit mentioned above.

FUNDING RAISING ACTIVITIES

Share Consolidation and Rights Issue

Reference is made to the announcements (the “**Announcements**”) of the Company dated 23 April 2021, 25 May 2021 and 30 June 2021, the Company’s circular dated 7 May 2021 and the Company’s prospectus dated 8 June 2021 in relation to the share consolidation (the “**Share Consolidation**”) and rights issue (the “**Rights Issue**”). Unless otherwise defined, capitalized terms used herein shall bear the same meanings ascribed thereto in the Announcements.

On 23 April 2021, the Company announced its proposal to implement the Share Consolidation on the basis that every twenty (20) issued and unissued existing shares at HK\$0.01 each consolidated into one (1) Consolidated Share of HK\$0.20 each. The Company also proposed, subject to and amongst other conditions, the Share Consolidation becoming effective, to raise approximately HK\$32.4 million, by way of the Rights Issue of up to 40,450,806 Rights Shares at the subscription price of HK\$0.80 per Rights Share on the basis of one (1) Rights Share for every two (2) Consolidated Shares held by Qualifying Shareholders.

An extraordinary general meeting of the Company was convened and held on 25 May 2021 wherein the shareholders of the Company passed an ordinary resolution approving the Share Consolidation and the Share Consolidation became effective on 27 May 2021.

On 2 July 2021, the Company completed the Rights Issue and issued 40,450,806 Rights Shares with par value HK\$0.20 each at a subscription price of HK\$0.80 per Rights Share on the basis of one (1) Rights Share for every two (2) Consolidated Share held by the qualifying shareholders on the record date.

The net proceeds from the Rights Issue after deducting all necessary expenses were approximately HK\$31.2 million, which were intended for financing the Group’s capital expenditures for business expansion purpose. The details are set out in the Company’s prospectus dated 8 June 2021.

Liquidity, Financial Resources and Capital Structure

The Group was able to maintain a sound financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the period under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

As at 30 June 2021, the Group had total cash and bank balances of approximately US\$9.1 million, which was mainly denominated in Hong Kong Dollars (31 December 2020: US\$9.6 million which was mainly denominated in Renminbi).

As at 30 June 2021, the Group's bank borrowings of approximately US\$1.1 million (31 December 2020: nil) bore interest at floating rates.

The capital of the Group comprises only ordinary shares. During the six months ended 30 June 2021, the Company completed the Share Consolidation on the basis of every twenty issued existing shares of the Company be consolidated into one Consolidated Share by reduction of 1,537,130,664 issued shares of the Company on 27 May 2021.

Foreign Exchange Exposure

Operations of the Group are mainly conducted in United States Dollars, Taiwan Dollars and Renminbi. It is the Group's treasury policy to closely monitor its foreign exchange position and manage its foreign currency exposure whenever its financial impact is material to the Group. During the period, the Group did not engage in any hedging activities.

The Group had adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Gearing Ratio

The Group strives to maintain a gearing ratio in line with the Group's business requirement. It is expressed as a percentage of total bank borrowings net of cash and bank balances to total equity of the Group. As at 30 June 2021 it was nil (31 December 2020: nil) as the Group had net cash balances at the respective period end.

Capital Commitments

As at 30 June 2021, the Group had total capital commitments of approximately US\$5.6 million (31 December 2020: US\$1.01 million) for the acquisition of property, plant and equipment.

Capital Expenditure

During the six months ended 30 June 2021, the Group had capital expenditure of (i) US\$0.08 million for the purchase of property, plant and equipment (six months ended 30 June 2020: US\$0.2 million), and (ii) US\$6.34 million for the prepayment for purchase of property, plant and equipment (six months ended 30 June 2020: nil).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (31 December 2020: nil).

Segment Information

The Group determines its operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker, being the executive directors of the Group for the purpose of resources allocation and assessment. The executive directors regards the Group's business of manufacturing and sales of power discrete semiconductors as a single operating segment and assess the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment analysis information is presented.

Significant Investments/Material Acquisitions and Disposal

During the six months ended 30 June 2021, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 139 employees (31 December 2020: 138). The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than the Rights Issue, at no time during the six months ended 30 June 2021 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

COMPETING INTERESTS

Save as disclosed in the paragraph headed "Compliance of Non-Competition Undertaking" on pages 54-55 of the 2018 annual report, during the six months ended 30 June 2021, so far as the Directors are aware, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholders' interests. During the six months ended 30 June 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "Code of Conduct"). The Company has made specific enquiry to the Directors, and all Directors have confirmed that they have fully complied with the required standards of dealings set out in the Code of Conduct throughout the six months ended 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") consists of two independent non-executive Directors and one non-executive Director of the Company, namely Mr. Leung Man Chiu, Lawrence (chairman of the Audit Committee), Mr. Fan Yan Hok, Philip and Mr. Yung Kwok Kee, Billy, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the Group's financial information for the six months ended 30 June 2021 and this announcement.

By order of the Board
PFC DEVICE INC.
CHOW Kai Chiu, David
Executive Director

Hong Kong, 5 August 2021

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

This announcement will remain on the "Latest Company Announcements" page of the GEM's website at www.hkgem.com for at least 7 days from the date of publication and on the website of the Company at www.pfc-device.com.