



# PFC Device Inc.

## 節能元件有限公司

(incorporated in the Cayman Islands with limited liability)  
Stock code : 8231

**INTERIM REPORT 2021**

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

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*This report, 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 report 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 report misleading.*

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## BOARD OF DIRECTORS

### Executive Directors

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

### 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

## AUDIT COMMITTEE

Mr. Leung Man Chiu, Lawrence *(Chairman)*  
Mr. Fan Yan Hok, Philip  
Mr. Yung Kwok Kee, Billy

## REMUNERATION COMMITTEE

Mr. Fan Yan Hok, Philip *(Chairman)*  
Mr. Lam, Peter  
Mr. Yung Kwok Kee, Billy

## NOMINATION COMMITTEE

Mr. Yung Kwok Kee, Billy *(Chairman)*  
Mr. Fan Yan Hok, Philip  
Mr. Lam, Peter

## PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

## COMPANY SECRETARY

Ms. Lee Ka Man *ACG, ACS*

## REGISTERED OFFICE

Windward 3, Regatta Office Park,  
P.O. 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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54 Hopewell Centre,  
183 Queen's Road East, Hong Kong

## AUTHORISED REPRESENTATIVES

Mr. Chow Kai Chiu, David  
Mr. Hong James Man-fai

## COMPLIANCE OFFICER

Mr. Chow Kai Chiu, David

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## COMPANY'S WEBSITE

[www.pfc-device.com](http://www.pfc-device.com)

## STOCK CODE

8231

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	<b>30 June 2021 US\$'000 (unaudited)</b>	31 December 2020 US\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>5,533</b>	6,163
Right-of-use assets		<b>123</b>	244
Prepayments for acquisition of property, plant and equipment		<b>6,449</b>	196
Deferred tax assets		<b>195</b>	241
		<b>12,300</b>	6,844
<b>Current assets</b>			
Inventories		<b>6,050</b>	5,252
Trade and other receivables, deposits and prepayments	10	<b>5,723</b>	5,293
Amount due from a fellow subsidiary		<b>4</b>	5
Cash and bank balances		<b>9,086</b>	9,594
		<b>20,863</b>	20,144
<b>Current liabilities</b>			
Trade and other payables	11	<b>3,603</b>	3,330
Deposits received from rights issue	17	<b>4,168</b>	–
Lease liabilities		<b>123</b>	244
Amounts due to fellow subsidiaries		<b>188</b>	182
Bank borrowings	12	<b>1,088</b>	–
Tax payable		<b>50</b>	41
		<b>9,220</b>	3,797
<b>Net current assets</b>		<b>11,643</b>	16,347
<b>Total assets less current liabilities/Net assets</b>		<b>23,943</b>	23,191
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>2,085</b>	2,085
Reserves		<b>21,858</b>	21,106
<b>Total equity</b>		<b>23,943</b>	23,191

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital	Share premium*	Share option reserve*	Merger reserve*	Capital contribution*	Translation reserve*	Accumulated losses*	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Six months ended 30 June 2020</b>								
<b>(unaudited)</b>								
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 (Note 14)	–	–	4	–	–	–	–	4
At 30 June 2020	<u>2,085</u>	<u>21,067</u>	<u>191</u>	<u>905</u>	<u>1,247</u>	<u>(837)</u>	<u>(3,036)</u>	<u>21,622</u>
<b>Six months ended 30 June 2021 (unaudited)</b>								
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	<u>2,085</u>	<u>21,067</u>	<u>143</u>	<u>905</u>	<u>1,247</u>	<u>662</u>	<u>(2,166)</u>	<u>23,943</u>

\* 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

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



## 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.

## **2. BASIS OF PREPARATION (Continued)**

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	<b>6,243</b>	6,165	<b>11,709</b>	9,384

#### 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	<b>(125)</b>	(153)	<b>(93)</b>	(48)
Depreciation of property, plant and equipment	<b>455</b>	391	<b>871</b>	793
Depreciation of right-of-use assets	<b>61</b>	57	<b>123</b>	114
Employee benefit expenses (including directors' emoluments)				
– Salaries, wages and other benefits	<b>885</b>	824	<b>1,755</b>	1,559
– Contribution to defined contribution retirement plans	<b>43</b>	19	<b>86</b>	43
– Equity-settled share-based payment expense (note 14)	<b>–</b>	1	<b>–</b>	4
	<b>928</b>	844	<b>1,841</b>	1,606

## 6. INCOME TAX EXPENSE

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

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

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	2020	2021	2020
US\$'000	US\$'000	US\$'000	US\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

### Earnings

Profit for the period attributable to  
owners of the Company

<b>376</b>	826	<b>567</b>	391
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Three months ended 30 June		Six months ended 30 June	
2021	2020	2021	2020
Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

### Number of shares

Weighted average number of ordinary  
shares in issue for the purpose of  
calculating basic earnings  
per share

<b>80,902</b>	80,902	<b>80,902</b>	80,902
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Weighted average number of ordinary  
shares in issue for the purpose of  
calculating diluted earnings  
per share

<b>84,424</b>	84,013	<b>84,220</b>	84,013
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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.

## 8. EARNINGS PER SHARE (Continued)

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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately US\$175,000 (Six months ended 30 June 2020: US\$184,000). Such additions are mainly comprised of moulds, tools and machineries of US\$171,000 (Six months ended 30 June 2020: US\$167,000).

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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.

## 10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

## 11. TRADE AND OTHER PAYABLES

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

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

## 11. TRADE AND OTHER PAYABLES (Continued)

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

	<b>30 June 2021 US\$'000 (unaudited)</b>	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>

## 12. BANK BORROWINGS

	<b>30 June 2021 US\$'000 (unaudited)</b>	31 December 2020 US\$'000 (audited)
<b>Current Liabilities</b>		
Bank loans subject to repayment on demand clause and due for repayment within one year	<u>1,088</u>	—
	<u>1,088</u>	—



### 13. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares	Amount HK\$'000
<b>Authorised</b>			
<b>At 1 January 2020, 31 December 2020 and 1 January 2021</b>	0.01	3,800,000,000	38,000
<b>Share consolidation</b>		<u>(3,610,000,000)</u>	<u>—</u>
<b>At 30 June 2021</b>	0.20	<u>190,000,000</u>	<u>38,000</u>
<b>Issued and fully paid:</b>			
<b>At 1 January 2020, 31 December 2020 and 1 January 2021</b>	0.01	1,618,032,277	16,180
<b>Share consolidation</b>		<u>(1,537,130,664)</u>	<u>—</u>
<b>At 30 June 2021</b>	0.20	<u>80,901,613</u>	<u>16,180</u>
		<b>30 June 2021</b>	31 December 2020
		<b>US\$'000</b>	US\$'000
		<b>(unaudited)</b>	(audited)
Presented in the financial statements in US\$		<u><b>2,085</b></u>	<u>2,085</u>

At the extraordinary general meeting of the Company held on 25 May 2021, a resolution was passed to approve the share consolidation on the basis that every twenty issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company consolidated into one ordinary share of par value HK\$0.20 each. The share consolidation was completed and effective on 27 May 2021.

## 14. SHARE-BASED PAYMENT ARRANGEMENTS

Pursuant to the resolution passed by the shareholders of the Company on 19 September 2016, the adoption of the share option scheme of the Company (the “**PFC Device Option Scheme**”) was approved to enable the Company to grant options to eligible persons as incentives or rewards for their contributions or potential contributions to the Group. Eligible participants of PFC Device Option Scheme include the directors, employees, executives or officers of the Group and any suppliers, consultants, agents, advisers and related entities to the Group.

The PFC Device Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the PFC Device Option Scheme becomes unconditional. The subscription price shall be such price as the board of directors of the Company in its absolute discretion shall determine, provided that such price will not be less than the highest of: (a) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (b) the average of the official closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the share of the Company. Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

On 22 March 2017, options to subscribe for an aggregate of 41,794,191 shares of the Company, were granted under PFC Device Option Scheme to certain directors, employees and consultants, which shall vest based on the vesting schedules specified in the offer documents of the respective grantees. Share options granted to non-employee participants are for their contributions to the Group in respect of providing services similar to those rendered by its employees.

The fair value of the share options granted on 22 March 2017 was HK\$3,271,000, equivalent to approximately US\$421,000. Such fair value was estimated by independent professional valuer at the date of grant using Binomial Model taking into account the terms and conditions of the options granted. The following table shows the significant inputs used in the model:

Dividend yield	0%
Historical volatility	43.032%
Risk-free interest rate	1.636%
Expected life of option	10 years

The historical volatility of a combination of companies of similar nature were used to estimate the historical volatility of the Company’s shares.

#### 14. SHARE-BASED PAYMENT ARRANGEMENTS (Continued)

The movements of the share options granted under PFC Device Option Scheme during the period are as follows:

Grantee	Date of grant	Exercise price (note) HK\$	Numbers of options				
			As at 1 January 2021	Share consolidation adjustment	Exercised	Forfeited	As at 30 June 2021
<b>Directors</b>							
Mr. Hong James Man-Fai	22 March 2017	3.30	5,408,343	(5,137,926)	–	–	270,417
Mr. Tang Che Yin	22 March 2017	3.30	2,800,000	(2,660,000)	–	–	140,000
<b>Other employees</b>	22 March 2017	3.30	5,289,375	(5,024,907)	–	–	264,468
<b>Consultants</b>	22 March 2017	3.30	160,000	(152,000)	–	–	8,000
			<u>13,657,718</u>	<u>(12,974,833)</u>	<u>–</u>	<u>–</u>	<u>682,885</u>

Note: The exercise price per share option was adjusted upon the completion of share consolidation on 27 May 2021.

The closing price of the Company's shares immediately before the date of grant of share options was HK\$0.172.

The share options granted on 22 March 2017 are valid and effective for a period of 10 years from date of acceptance on 1 April 2017 subject to vesting requirements that the options shall be vested by stages which last from 9 months to 3.25 years.

As at 30 June 2021, there were 682,885 share options outstanding under PFC Device Option Scheme (as adjusted for the share consolidation on 27 May 2021) and all of them were vested and exercisable by the grantees by giving notice in writing to the Company. The weighted average remaining contractual life of these options was 5.75 years. The exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of additional 682,885 shares of the Company.

No option was granted or exercised during the six months ended 30 June 2021.

## 15. CAPITAL COMMITMENTS

	<b>30 June 2021 US\$'000 (unaudited)</b>	31 December 2020 US\$'000 (audited)
Commitments for acquisition of property, plant and equipment		
– Contracted for but not provided	<b>5,586</b>	1,015

## 16. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this interim financial information, the Group had the following significant related party transactions:

### (a) During the period, the Group entered into the following significant transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June 2021 US\$'000 (unaudited)	2020 US\$'000 (unaudited)
Shell Holdings	Ultimate holding company	Rental and building management fee charged by the related party for office premises	16	16
SMC Electric (HK) Limited	Fellow subsidiary	Sales of finished goods to related party	14	9
佛山市順德區瓊華多媒體製品有限公司 (Foshan Shunde SMC Multi-Media Products Company Limited* ("Shunde Multi-Media"))	Fellow subsidiary	Rental and building management fee charged by the related party for production workshop with office facilities and staff dormitory	81	75
Shunde Multi-Media	Fellow subsidiary	Fee charged by the related party for provision of catering services	2	2
迅速資產管理(深圳)有限公司 (Xun Su Asset Management (Shenzhen) Limited*)	Fellow subsidiary	Rental charged by the related party for office premises and staff dormitory	51	48
廣東兆傲電子有限公司(Guangdong Zhaobao Electronics Co., Ltd*)	Fellow subsidiary	Fee charged by the related party for provision of sub-contracting work service	244	88

\* for identification purposes only

The transactions were conducted on mutually agreed terms.

## 16. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personal:

The remuneration of directors and other members of key management were as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(unaudited)
Salaries, allowances and other benefits	<b>165</b>	160
Share-based payment expense	–	1
Contributions to defined contribution retirement plan	<b>3</b>	3
	<b>168</b>	164

## 17. 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 deposits from the rights issue share subscriptions amounting to approximately US\$4.2 million.

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 continued 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 dollar terms. These impacts were partly offset by the increased 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, and were intended for financing the Group’s capital expenditure 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 incurred (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.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2021, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions in the shares (the “**Shares**”), underlying Shares and debentures of the Company and/or any of its associated corporations (which has the same meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

#### I. Long Positions in the Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in the Company	Approximate percentage of shareholding as at 30 June 2021
Mr. Yung Kwok Kee, Billy (“ <b>Mr. Yung</b> ”)	Interest in a controlled corporation ( <i>Note</i> )	47,456,396	58.66%
Mr. Hong James Man-fai (“ <b>Mr. Hong</b> ”)	Beneficial interest	453,582	0.56%
Mr. Chow Kai Chiu, David (“ <b>Mr. Chow</b> ”)	Beneficial interest	135,191	0.17%

The number of shares is adjusted to reflect the share consolidation which effective on 27 May 2021.

*Note:*

*Mr. Yung is interested in 100% of the issued share capital of Red Dynasty Investments Limited (“**Red Dynasty**”). Red Dynasty holds approximately 80.5% interest in Shell Electric Holdings Limited (“**Shell Holdings**”). Lotus Atlantic Limited (“**Lotus Atlantic**”) is wholly and beneficially owned by Sybond Venture Limited (“**Sybond Venture**”), and Sybond Venture is wholly and beneficially owned by Shell Holdings. Mr. Yung is therefore deemed to be interested in 47,456,396 Shares held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Holdings for the purpose of the SFO.*

*According to disclosure of interests filed by Mr. Yung on 8 June 2021, Mr. Yung is deemed to be interested in 71,184,593 shares. These shares include Lotus Atlantic has provisional allotment and all rights and entitlements to 23,728,197 right shares. Details of which are set out in the prospectus of the Company dated 8 June 2021.*

## II. Long Positions in the underlying Shares

Name of Director	Capacity	Number of underlying Shares held	Approximate percentage of shareholding as at 30 June 2021
Mr. Hong	Beneficial interest	270,417 (Note 1)	0.33%
Mr. Tang Che Yin ("Mr. Tang")	Beneficial interest	140,000 (Note 2)	0.17%

The number of shares and exercise price are adjusted to reflect the share consolidation which effective on 27 May 2021.

Notes:

1. *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 of the Company adopted on 19 September 2016 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.*
2. *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 of the Company adopted on 19 September 2016 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.*

Save as disclosed above, as at 30 June 2021, none of Directors nor chief executive of the Company and/or any of their respective associates has registered an interest or short positions in the Shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

## B. Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2021, the interest and short positions of the person (other than the interest of the Directors or chief executive of the Company as disclosed above) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/ nature of interest	Number of Shares held/interested in	Long/short position	Approximate percentage of shareholding as at 30 June 2021
Lotus Atlantic	Beneficial owner	47,456,396 (Note 1)	Long	58.66%
Sybond Venture	Interest in a controlled corporation	47,456,396 (Note 1)	Long	58.66%
Shell Holdings	Interest in a controlled corporation	47,456,396 (Note 1)	Long	58.66%
Red Dynasty	Interest in a controlled corporation	47,456,396 (Note 1)	Long	58.66%
Ms. Vivian Hsu	Interest of spouse	47,456,396 (Note 2)	Long	58.66%

The number of shares is adjusted to reflect the share consolidation which effective on 27 May 2021.

Notes:

- Red Dynasty holds approximately 80.5% interest in Shell Holdings. Lotus Atlantic is wholly and beneficially owned by Sybond Venture, and Sybond Venture is wholly and beneficially owned by Shell Holdings. Each of these companies is therefore deemed to be interested in 47,456,396 Shares owned and held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Holdings for the purpose of the SFO.*
- These Shares represent the interest held by Lotus Atlantic 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 and Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is interested.*

Save as disclosed above, as at 30 June 2021 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has a share option scheme (the “**PFC Device Option Scheme**”) which was approved and adopted pursuant to the written resolutions on 19 September 2016. The terms of the PFC Device Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. Particulars of the PFC Device Option Scheme and the movements of share options during the period are set out in note 14 to the unaudited condensed consolidated financial 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.

## DIVIDEND

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

## 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 report.

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 report, 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.*