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*The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas shareholders will be contained in the Scheme Document.*

**Lotus Atlantic Limited**  
*(Incorporated in the British Virgin Islands  
with limited liability)*



**PFC Device Inc.**  
**節能元件有限公司**  
*(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 8231)*

## **JOINT ANNOUNCEMENT**

### **(1) PROPOSAL FOR THE PRIVATISATION OF PFC DEVICE INC.**

**BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT  
(UNDER SECTION 86 OF THE COMPANIES ACT)**

### **(2) PROPOSED WITHDRAWAL OF LISTING**

### **(3) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE**

**AND**

### **(4) RESUMPTION OF TRADING**

**Financial adviser to the Offeror**



**SOMERLEY CAPITAL LIMITED**

## **INTRODUCTION**

On 5 November 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on GEM of the Stock Exchange.

## **TERMS OF THE PROPOSAL**

### **The Scheme**

Pursuant to the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.40 in cash for each Scheme Share. The total consideration payable for the cancellation of the Scheme Shares will be payable by the Offeror.

**The Cancellation Price will not be increased and the Offeror does not reserve the right to do so.**

The Cancellation Price of HK\$1.40 per Scheme Share represents:

- (i) a premium of approximately 29.63% over the closing price of HK\$1.080 per Share as quoted on the Stock Exchange on 5 November 2021, being the Last Trading Day;
- (ii) a premium of approximately 75.00% over the closing price of HK\$0.800 per Share as quoted on the Stock Exchange on 4 November 2021, being the full trading day immediately prior to the Last Trading Day;
- (iii) a premium of approximately 62.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.860 per Share;
- (iv) a premium of approximately 76.10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.795 per Share;
- (v) a premium of approximately 86.17% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.752 per Share;

- (vi) a premium of approximately 83.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- (vii) a premium of approximately 83.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- (viii) a premium of approximately 63.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.857 per Share;
- (ix) a discount of approximately 5.79% to the audited consolidated net assets of the Group of approximately US\$0.191 per Share (equivalent to approximately HK\$1.486 per Share) as at 31 December 2020; and
- (x) a discount of approximately 8.68% to the unaudited consolidated net assets of the Group of approximately US\$0.197 per Share (equivalent to approximately HK\$1.533 per Share) as at 30 June 2021.

#### **The Option Offer**

As at the date of this joint announcement, there are 683,922 outstanding Options granted under the Share Option Scheme, which have an exercise price of HK\$3.179. As the exercise price of the Options under the Option Offer exceeds HK\$1.40, the “see-through” price is zero and a cash offer of a nominal amount of HK\$0.01 per Option will be made. The Option Offer will be conditional upon the Scheme becoming effective.

As at the date of this joint announcement, all Options with an exercise price of HK\$3.179 are vested. In accordance with the terms of the Share Option Scheme, if a scheme of arrangement between the Company and the Shareholders is formally proposed, an Option Holder (or his or her personal representative(s)) shall, notwithstanding any other terms on which his or her Options were granted, be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in his or her notice to the Company in accordance with the provisions of the Share Option Scheme. Accordingly, if any of the Options is exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme. All outstanding Options will lapse automatically and not be exercisable (to the extent not already lapsed) upon the Scheme becoming effective.

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver, as applicable, of the Conditions as described in the section headed “Conditions of the Proposal and the Scheme” below. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

### **SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES**

As at the date of this joint announcement, the authorised share capital of the Company is HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.2 each, and the Company has 121,352,419 Shares in issue.

As at the date of this joint announcement, the Offeror held 85,105,625 Shares, representing approximately 70.1% of the issued share capital of the Company. The Offeror Concert Parties, who are also Scheme Shareholders (as applicable), held in aggregate 588,773 Shares and 426,012 Options, representing approximately 0.5% of the issued share capital of the Company and 62.3% of the outstanding Options, and such Shares and Option Shares if exercised, will form part of the Scheme Shares. However, such Shares will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 35,658,021 Shares, represent approximately 29.4% of the issued share capital of the Company as at the date of this joint announcement.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following the completion of the Scheme and the withdrawal of listing of the Shares on GEM of the Stock Exchange, the Offeror will hold 100% of the issued share capital of the Company.

### **VALUE OF THE OFFERS AND CONFIRMATION OF FINANCIAL RESOURCES**

#### **Value of the Offers**

As at the date of this joint announcement, there are 121,352,419 Shares in issue and 683,922 outstanding Options granted under the Share Option Scheme entitling the Option Holders to subscribe for an aggregate of 683,922 Shares.

On the assumption that (i) the Scheme has become effective; (ii) none of the Options are exercised as at the Record Date; and (iii) no further Shares are issued before the Record Date, there would be 36,246,794 Scheme Shares and 683,922 Options and accordingly, the amount of cash required for the Scheme is approximately HK\$50,745,511.60 and the amount of cash required for the Option Offer is approximately HK\$6,839.22.

On the assumption that (i) the Scheme has become effective; (ii) all the Options are exercised as at the Record Date and all the Option Holders of such Options become Scheme Shareholders; and (iii) no other Shares are issued before the Record Date, there would be 36,930,716 Scheme Shares and no Options outstanding and accordingly, the amount of cash required for the Scheme is approximately HK\$51,703,002.40 and nil for the Option Offer.

Consequently, on the basis described above, the maximum total cash consideration payable by the Offeror under the Scheme will amount to approximately HK\$51,703,002.40.

#### **Confirmation of financial resources**

The Offeror intends to finance the cash required for the Proposal by its internal cash reserves. Somerley, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

#### **WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cancel and cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on GEM of the Stock Exchange immediately following the Scheme becoming effective.

#### **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The listing of the Shares on GEM of the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. LAM, Peter, Mr. LEUNG Man Chiu, Lawrence and Mr. FAN Yan Hok, Philip) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting. Mr. Yung, the non-executive Director, is a director and the controlling shareholder of the Offeror. Mr. Tang, also the non-executive Director, is a director of the Offeror. As such, both of them are Offeror Concert Parties and therefore, are regarded as being interested in the Proposal and will not form part of the Independent Board Committee.

An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in this regard. An announcement of such appointment will be made by the Company in due course.

## **DESPATCH OF SCHEME DOCUMENT**

The Scheme Document containing, among others, further details of (i) the Proposal and the Scheme; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Companies Act and the rules of the Grand Court; (iv) information regarding the Company; (v) recommendations from the Independent Board Committee with respect to the Proposal and the Scheme; (vi) the letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (vii) a notice of the Court Meeting and a notice of the General Meeting, together with the respective forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Listing Rules, the Companies Act, the Grand Court and other applicable laws and regulations.

## **WARNING**

**Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **INTRODUCTION**

On 5 November 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Act involving the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share, and the withdrawal of the listing of the Shares on GEM of the Stock Exchange.

If the Proposal is approved, under the Scheme, the share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the allotment and issuance at par to the Offeror of such aggregate number of new Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of such capital reduction will be applied in paying up in full at par the new Shares so allotted and issued, credited as fully paid, to the Offeror.

## **TERMS OF THE PROPOSAL**

### **The Scheme**

Pursuant to the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.40 in cash for each Scheme Share. The total consideration payable for the cancellation of the Scheme Shares will be payable by the Offeror.

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- (iii) a premium of approximately 62.79% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK\$0.860 per Share;



- (iv) a premium of approximately 76.10% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK\$0.795 per Share;
- (v) a premium of approximately 86.17% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK\$0.752 per Share;
- (vi) a premium of approximately 83.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- (vii) a premium of approximately 83.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- (viii) a premium of approximately 63.36% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day of approximately HK\$0.857 per Share;
- (ix) a discount of approximately 5.79% to the audited consolidated net assets of the Group of approximately US\$0.191 per Share (equivalent to approximately HK\$1.486 per Share) as at 31 December 2020; and
- (x) a discount of approximately 8.68% to the unaudited consolidated net assets of the Group of approximately US\$0.197 per Share (equivalent to approximately HK\$1.533 per Share) as at 30 June 2021.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange.



## **The Option Offer**

As at the date of this joint announcement, there are 683,922 outstanding Options granted under the Share Option Scheme, which have an exercise price of HK\$3.179.

The Offeror will make (or procure to be made on its behalf) an appropriate offer to all the Option Holders, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer Option Holders the “see-through” price (being the Cancellation Price minus the exercise price of the relevant Options) for the cancellation of each Option they hold in accordance with Rule 13 of the Takeovers Code. As the exercise price of the Options under the Option Offer exceeds HK\$1.40, the “see-through” price is zero and a cash offer of a nominal amount of HK\$0.01 per Option will be made.

Further information on the Option Offer will be set out in a letter to the Option Holders, which will be despatched at the same time as the despatch of the Scheme Document. The Option Offer will be extended to all Options in issue on the date on which the Option Offer is made.

As at the date of this joint announcement, all Options with an exercise price of HK\$3.179 are vested. In accordance with the terms of the Share Option Scheme, if a scheme of arrangement between the Company and the Shareholders is formally proposed, an Option Holder (or his or her personal representative(s)) shall, notwithstanding any other terms on which his or her Options were granted, be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in his or her notice to the Company in accordance with the provisions of the Share Option Scheme. Accordingly, if any of the Options is exercised in accordance with the terms of the Share Option Scheme, as applicable, on or before the Record Date, any Shares so issued will be subject to and eligible to participate in the Scheme. All outstanding Options will lapse automatically and not be exercisable (to the extent not already lapsed) upon the Scheme becoming effective.

As at the date of this joint announcement, the exercise of all the Options in full would result in the issue of 683,922 new Shares (representing approximately 0.56% of the issued share capital of the Company as at the date of this joint announcement).

## **Conditions of the Proposal and the Scheme**

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders, subject to the fulfilment or waiver, as applicable, of the following conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Disinterested Shareholders holding not less than 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting;

- (b) the approval of the Scheme (by way of poll) by the Disinterested Shareholders holding at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Shareholders, present and voting either in person or by proxy at the Court Meeting; and the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all Disinterested Scheme Shares held by all the Disinterested Shareholders;
- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the passing of an ordinary resolution by a simple majority of the votes cast by the Shareholders present and voting either in person or by proxy at the General Meeting to, immediately thereafter restore the number of issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror of such aggregate number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme and apply the reserve created as a result of such capital reduction to pay up in full at par such number of new Shares to be allotted and issued, credited as fully paid, to the Offeror;
- (d) the Grand Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of the Company, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court and the minutes approved by the Grand Court in respect of the reduction of the issued share capital of the Company for registration;
- (e) compliance, to the extent necessary, with the procedural requirements and conditions, if any, under sections 15 to 17 of the Companies Act in relation to the reduction of the share capital of the Company;
- (f) (i) all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with; and (ii) no requirement having been imposed by any Relevant Authorities which is not expressly provided for, or is in addition to requirements expressly provided for, under any relevant laws, rules, regulations or codes, in connection with the Proposal or the Scheme, or any matters, documents (including circulars) or things relating to the Proposal or the Scheme, in each aforesaid case up to and at the time when the Scheme becomes effective;
- (g) all necessary authorisations, approvals and consents which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the Company having been obtained or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business of the Group;

- (h) no government, governmental, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or its implementation in accordance with its terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (i) since the date of this joint announcement, there having been no adverse change in the business, assets, financial or trading position, profits or prospects of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme); and
- (j) the Company remaining solvent and not being subject to any insolvency, bankruptcy or other similar proceedings and no liquidator, receiver or other person carrying out any similar function having been appointed in any jurisdiction in respect of the whole or any substantial part of the assets and undertakings of the Group.

The Offeror reserves the right to waive Conditions (g) to (j) either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (f) cannot be waived in any event. The Company has no right to waive any of the Conditions. In respect of Conditions (f) and (g) above, the Company and/or the Offeror are not aware of any such statutory or regulatory obligations, requirements or consents required as at the date of this joint announcement.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. As at the date of this joint announcement, the Offeror is not aware of any such circumstances.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

If the Proposal is approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

As at the date of this joint announcement, none of the Conditions have been fulfilled, satisfied, or waived, as applicable.

**WARNING: Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.**

## **VALUE OF THE OFFERS AND CONFIRMATION OF FINANCIAL RESOURCES**

### **Highest and lowest Share prices**

During the six-month period preceding the date of this joint announcement and up to the Last Trading Day, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.08 per Share on 5 November 2021, being the Last Trading Day and HK\$0.700 per Share on 27 July and 25 October 2021, respectively.

### **Value of the Offers**

As at the date of this joint announcement, there are 121,352,419 Shares in issue and 683,922 outstanding Options granted under the Share Option Scheme entitling the Option Holders to subscribe for an aggregate of 683,922 Shares.

On the assumption that (i) the Scheme has become effective; (ii) none of the Options are exercised as at the Record Date; and (iii) no further Shares are issued before the Record Date, there would be 36,246,794 Scheme Shares and 683,922 Options and accordingly, the amount of cash required for the Scheme is approximately HK\$50,745,511.60 and the amount of cash required for the Option Offer is approximately HK\$6,839.22.

On the assumption that (i) the Scheme has become effective; (ii) all the Options are exercised as at the Record Date and all the Option Holders of such Share Options become Scheme Shareholders; and (iii) no other Shares are issued before the Record Date, there would be 36,930,716 Scheme Shares and no Options outstanding and accordingly, the amount of cash required for the Scheme is approximately HK\$51,703,002.40 and nil for the Option Offer.

Consequently, on the basis described above, the maximum total cash consideration payable by the Offeror under the Scheme will amount to approximately HK\$51,703,002.40.

### **Confirmation of financial resources**

The Offeror intends to finance the cash required for the Proposal by its internal cash reserves. Somerley, as the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy its obligations in respect of the full implementation of the Proposal in accordance with its terms.

## SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

As at the date of this joint announcement, the authorised share capital of the Company is HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.2 each, and the Company has 121,352,419 Shares in issue.

As at the date of this joint announcement, the Offeror held 85,105,625 Shares, representing approximately 70.1% of the issued share capital of the Company. The Offeror Concert Parties, who are also Scheme Shareholders (as applicable), held in aggregate 588,773 Shares and 426,012 Options, representing approximately 0.5% of the issued share capital of the Company and 62.3% of the outstanding Options, and such Shares and Option Shares if exercised will form part of the Scheme Shares. However, such Shares will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising 35,658,021 Shares, represent approximately 29.4% of the issued share capital of the Company.

The table below sets out the shareholding structure of the Company (i) as at the date of this joint announcement; (ii) assuming full conversion of the Options prior to the Record Date; and (iii) assuming full conversion of the Options and upon the Scheme becoming effective:

	As at the date of this joint announcement		Assume full conversion of the Options prior to the Record Date		Assume full conversion of the Options and upon the Scheme becoming effective	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
<b>Offeror (Note 1)</b>	<b>85,105,625</b>	<b>70.1%</b>	<b>85,105,625</b>	<b>69.7%</b>	<b>122,036,341</b>	<b>100%</b>
<b>Offeror Concert Parties:</b>						
Mr. Tang (Note 2)	–	–	145,320	0.1%	–	–
Mr. Chow (Note 3)	135,191	0.1%	135,191	0.1%	–	–
Mr. Hong (Note 4)	453,582	0.4%	734,274	0.6%	–	–
<i>Subtotal</i>	<u>588,773</u>	<u>0.5%</u>	<u>1,014,785</u>	<u>0.8%</u>	<u>–</u>	<u>–</u>
<b>Aggregate number of Shares held by the Offeror and Offeror Concert Parties</b>	<b>85,694,398</b>	<b>70.6%</b>	<b>86,120,410</b>	<b>70.6%</b>	<b>122,036,341</b>	<b>100%</b>
Disinterested Shareholders	35,658,021	29.4%	35,915,931	29.4%	–	–
<b>Total number of Shares</b>	<b>121,352,419</b>	<b>100.0%</b>	<b>122,036,341</b>	<b>100.0%</b>	<b>122,036,341</b>	<b>100.0%</b>
<b>Total number of Scheme Shares (Note 5)</b>	<b>36,246,794</b>		<b>36,930,716</b>			

*Notes:*

1. The Offeror is wholly-owned by Sybond Venture Limited which is directly wholly-owned by Shell Holdings. Shell Holdings is held as to 80.55% by Mr. Yung through his wholly-owned company Red Dynasty Investments Limited.
2. Mr. Tang is a non-executive Director and one of the directors of the Offeror, and shall become a Scheme Shareholder if Options held by him are converted into Shares on or prior to the Record Date.
3. Mr. Chow is an executive Director and one of the directors of the Offeror, and a Scheme Shareholder.
4. Mr. Hong is an executive Director and the chief executive officer of the Company and is presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code. Mr. Hong is a Scheme Shareholder.
5. Scheme Shares comprise Share(s) other than those held by the Offeror.
6. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares cancelled. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

Assuming that there is no other change in the shareholding in the Company before completion of the Proposal, following of the Scheme becoming effective and the withdrawal of listing of the Shares on GEM of the Stock Exchange, the Offeror will hold 100% of the issued share capital of the Company.

## **REASONS FOR AND BENEFITS OF THE PROPOSAL**

### **(a) The Proposal will allow the Company more freedom for implementing its long-term growth strategies**

The Offeror and the Company may from time to time implement long-term growth strategies which may affect the Company’s short-term growth profile and may result in the divergence between the Offeror’s and the Company’s view on the Company’s long-term value on one hand, and the investors’ views on the potential execution risks and the significant cost involved impacting the Company’s short-term financial and share price performance on the other hand.



It was disclosed in the Company's Prospectus and the circular dated 26 October 2021 in connection with the purchases of equipment that, the Board believes that the increasing demand for high-speed wireless communications in various sectors including but not limited to, automotive manufacturers, will continue to raise the demand for 5G devices and AI computing devices which, is expected to further drive the soaring demand for wafer. The Board expects that, whilst the global shortage of semiconductors caused by the COVID-19 was likely to be prolonged for years because of the limited production capacity for power discrete semiconductors and surge in demand of electronic products driven by the pandemic, combined with the shortage in supply of wafer supply to meet the current global demand since the outset of the pandemic, the major challenge for the Group to remain competitive is, therefore, to ensure sufficient supply of wafer. As such, the Group has determined to construct its own wafer fabrication manufacturing facilities in Shunde, the PRC in order to gradually replace the current outsourcing arrangements with external wafer foundries for the wafer fabrication process. The wafer fabrication manufacturing facility is intended to primarily carry out the fabrication process for the Group's MOSFET.

It is expected the setting up of the wafer fabrication manufacturing facility will employ substantial capital expenditure in the coming years. As stated in the Prospectus, approximately US\$14.3 million of capital expenditure payments are expected by the Group in 2021 and it is estimated that a further US\$17.7 million is expected to be required by the Group for a total of around US\$32 million to be spent over a two-year set up period to construct and fit out the wafer fabrication facility. Such level of capital expenditure cannot be financed alone by the Group's operating cash inflow. To support the Group's 2021 capital spending, the controlling Shareholder has pledged to invest further in the Company through provision of shareholders' loan in addition to its participation in the Rights Issue.

The Rights Issue conducted by the Company in June 2021 however did not attract enough attention from the Shareholders other than the controlling Shareholder. As disclosed in the result announcement of the Rights Issue dated 30 June 2021, only around 7% of the total rights shares under the Rights Issue was subscribed by rights holders other than the controlling Shareholder and the controlling Shareholder has topped up the subscription of the unsubscribed Shares of the Rights Issue through making excess application. Because of the low subscription rate by the independent Shareholders, their interests in the Company were inevitably diluted. Following the completion of the Rights Issue, the Shares held by the public Shareholders reduced from 40.61% to 29.38%.



Given the prevailing unstable market condition resulting from, among others, the evolving pandemic situation and the lacklustre response by the Shareholders other than the controlling Shareholders in the Rights Issue, the Offeror sees no practicable opportunity for the Company to raise substantial new equity from the public market in the near future, and taking the Company private is considered a viable path for the Company to raise private equity capital for growth whilst striking a balance in protecting independent Shareholders' interests.

The Proposal, if successfully implemented, would facilitate the Offeror's further contribution of financial resources into the Company to satisfy its capital requirements without dilution on the independent Shareholders' interests. In addition, following the implementation of the Proposal, the Offeror and the Company can make strategic decisions focused on long-term benefits, free from the other constraints and pressure of market expectations on share price associated with being a publicly listed company.

**(b) Low liquidity of Shares may continue to cause share price fluctuation and difficulty for the Company to raise funds**

The average daily trading volume of the Shares for the 24 months up to and including the Last Trading Day was approximately 85,022 Shares per day, representing only approximately 0.07% of the issued Shares as at the date of this joint announcement. The low trading liquidity of the Shares could make it difficult for Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares and also make it difficult for Shareholders to dispose of a large number of Shares when any event that has an adverse impact on the Company's share price occurs. Low liquidity in the trading of the Shares has also hindered the Company's ability to raise funds from the equity market, which makes the Company's current listing platform no longer an effective fund-raising platform for the Company's business and future growth.

**(c) A good opportunity for the Disinterested Shareholders to realise their investment for a premium**

During the two-year period ended on and including the Last Trading Day, the lowest and highest closing prices per Share on the Stock Exchange were HK\$0.549 and HK\$1.743, respectively, with a simple average closing price of approximately HK\$0.845. The Offeror believes that the Cancellation Price of HK\$1.40 per Share represents a premium to the prices at which the market had valued the Company, and therefore, the Proposal provides the Disinterested Shareholders an attractive exit premium and opportunity to realise their investment in return for cash and redeploy into other investment opportunities that they may consider more attractive.

**(d) Cost reduction from the saving of cost of listing and cost of investor relations**

The delisting of the Company would reduce the costs and management resources associated with the maintenance of the Company's listing status on the Stock Exchange, therefore the delisting of the Company is expected to result in a more efficient and cost-effective group structure and create more flexibility for the Group to manage its business in an efficient and sustainable manner.

**INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP**

Other than to accelerate the Group's strategic plan to expand into wafer fabrication manufacturing, the Offeror has no other plan to introduce any material changes to the business and/or assets of the Group, or to redeploy its major fixed assets or discontinue the employment of employees of the Group as a result of the Proposal. After successful privatisation of the Company, the Offeror will review the businesses of the Group, including among others, the Group's relationships with its distributors and suppliers, portfolio of products, assets, corporate and organisational structure, capitalisation, operations, policies, management and personnel to consider and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of the Group. As at the date of this joint announcement, the Offeror does not have the intention to seek listing of the Company or the Company's existing business in another location. It is the intention of the Offeror for the Group to maintain its existing business upon the successful privatisation of the Company. However, the Offeror and the Company will continue to assess business opportunities as and when they arise.

**INFORMATION ON THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Save for the holding of the equity interest in the Company, the Offeror had not engaged in any material business activities. As at the date of this announcement, the Offeror is wholly-owned by Sybond Venture Limited which in turn is directly wholly-owned by Shell Holdings.

Shell Holdings is an unlisted public company incorporated in Bermuda with limited liability and as at the date of this joint announcement, is held as to approximately 80.55% by Red Dynasty Investments Limited which is beneficially and wholly-owned by Mr. Yung. As at the date of this announcement, Mr. Yung and his close relatives hold in aggregate over 98% of Shell Holdings and the remaining less than 2% interests are held by public investors. Mr. Yung, being the non-executive Director and the controlling Shareholder holding approximately 70.1% of the Company and the director of the Offeror, has over 40 years of experience in managing manufacturing, transportation, semiconductor and real estate businesses in the USA, Hong Kong and the PRC.

Prior to the Group Reorganisation proposed in 2009, Shell Holdings was a wholly-owned subsidiary of Shell Electric Mfg. (Holdings) Company Limited (now known as China Overseas Grand Oceans Group Ltd. (stock code: 81)) (“**Shell Electric Mfg.**”) to which Mr. Yung was the controlling shareholder. At that time, Shell Electric Mfg. and its subsidiaries were principally engaged in (i) property development and investment business in the PRC; and (ii) manufacturing of electrical appliances business and other businesses (“**Manufacturing Businesses**”). As disclosed in the joint announcement dated 29 September 2009 made by China Overseas Land & Investment Limited (stock code: 688) (“**COLI**”), Shell Electric Mfg. and Red Dynasty Investments Limited, amongst other things, COLI took over Shell Electric Mfg. by subscribing new shares in Shell Electric Mfg. followed by a voluntary unconditional cash offer made by COLI to acquire all the shares of Shell Electric Mfg.. Given that COLI had no intention to develop the Manufacturing Businesses, Shell Electric Mfg. conducted a group restructuring (the “**Group Reorganisation**”) such that shares of Shell Holdings which held the Manufacturing Businesses, were distributed in specie to all the then shareholders of Shell Electric Mfg and following which Red Dynasty Investments Limited made a voluntary unconditional cash offer to acquire all the shares in Shell Holdings. Upon completion of such cash offer, Shell Holdings has since become an unlisted public company with over 50 shareholders. As at the date of this joint announcement, the principal activities of Shell Holdings and its subsidiaries mainly comprise (i) investment holding, property leasing, real estate investment and development, taxi rental, sales of motor vehicles, contract manufacturing of fusers, laser scanning unit, paper handling options and securities trading; (ii) manufacturing and selling of electric tools and sourcing and selling of electric fans, through its equity interest of approximately 75.0% in SMC Electric Limited (stock code 2381) whose shares are listed on the Main Board of the Stock Exchange (“**SMC Electric**”); and (iii) manufacturing and marketing of power discrete semiconductors, through its equity interests in approximately 70.1% in the Company.

Sybond Venture Limited is a company incorporated in the Cayman Islands with limited liability and is principally engaged in investment holding. Save for the holding of the equity interest in the Offeror and some other companies in the Shell Holdings group, Sybond Venture Limited had not engaged in any material business activities.

Red Dynasty Investments Limited is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. Save for the holding of the equity interest in the Shell Holdings, Red Dynasty Investments Limited had not engaged in any material business activities.

Mr. Yung (翁國基), aged 67, was appointed as a Director of the Company on 2 March 2016 and was re-designated as a non-executive Director and chairman of the Board of the Company on 19 September 2016. He is a controlling Shareholder of the Company holding approximately 70.1% of the Company through the Offeror. Mr. Yung has over 40 years of experience in managing manufacturing, transportation, property investment and development, semiconductor and computer hardware and software businesses in the PRC, Hong Kong and USA. Prior to founding the Group, Mr. Yung had been the executive director of Shell Electric Mfg. from 1973 to 2010. 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 Holdings since 2009. Mr. Yung is currently a non-executive director and chairman of the board of directors of SMC Electric. 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.

### INFORMATION ON THE GROUP

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

Set out below is the summary of financial information of the Group for the financial years ended 31 December 2019 and 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 and the nine months ended 30 September 2020 and 2021 as extracted from the Company's third quarterly results announcement for the nine months ended 30 September 2021:

	For the nine months ended 30 September		For the year ended 31 December	
	2021 Unaudited (US\$'000)	2020 Unaudited (US\$'000)	2020 Audited (US\$'000)	2019 Audited (US\$'000)
Revenue	18,600	15,289	21,098	17,997
Profit/(loss) before income tax	1,290	939	669	(1,315)
Profit/(loss) for the period/year attributable to owners of the Company	1,200	855	646	(1,425)

The Company did not declare any dividend for the financial year ended 31 December 2020 and the six months ended 30 June 2021. As at the date of this joint announcement, the Company has no intention to make, declare or pay any future dividend/distribution until after completion of the Proposal and the Scheme.

## **WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates for the Scheme Shares will thereafter cancel and cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on GEM of the Stock Exchange immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on GEM of the Stock Exchange will become effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, among others, further details of the Scheme.

## **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The listing of the Shares on GEM of the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with the Offeror in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

## **OVERSEAS SHAREHOLDERS AND OPTION HOLDERS**

As at the date of this joint announcement, there were six Shareholders with registered addresses situate in Taiwan and Canada according to the register of members of the Company.

The making of the Proposal to, and the acceptance of the Proposal by, the Scheme Shareholders or Option Holders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders or Option Holders are located. The Company will seek legal advice from local counsel in the aforementioned jurisdictions as to whether there is any restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching the Scheme Document to those overseas Scheme Shareholders. Such overseas Scheme Shareholders and overseas Option Holders should inform themselves about and observe any applicable legal, tax or regulatory requirements in their own jurisdictions. It is the responsibility of any overseas Scheme Shareholders and overseas Option Holders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due from such overseas Scheme Shareholders and overseas Option Holders in such jurisdiction. Any acceptance by such overseas Scheme Shareholders and Option Holders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their advisers that those laws and regulatory requirements have been complied with. Persons who are in doubt as to their position should consult their professional advisers.

In the event that the despatch or receipt of the Scheme Document to or by overseas Scheme Shareholders or overseas Option Holders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders or overseas Option Holders. For that purpose, the Offeror will apply for any waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver may only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such overseas Scheme Shareholders or overseas Option Holders. In granting the waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such Scheme Shareholders and overseas Option Holders. The Executive may or may not give such waiver.

### **TAXATION ADVICE**

The Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Proposal. It is emphasised that none of the Offeror, Somerley and the Company or any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

### **DISINTERESTED SCHEME SHARES, COURT MEETING AND GENERAL MEETING**

As at the date of this joint announcement, the Offeror and the Offeror Concert Parties hold in aggregate 85,694,398 Shares, representing approximately 70.6% of the issued share capital of the Company. Such Shares will not constitute the Disinterested Scheme Shares and will not be voted on the Scheme at the Court Meeting. The Shares held by the Offeror Concert Parties, however, will be cancelled upon the Effective Date. Each of the Offeror Concert Parties will undertake to the Grand Court that it will be bound by the Scheme, so as to ensure that it will comply with and be subject to the terms and conditions of the Scheme.

All Shareholders (including the Offeror Concert Parties) will be entitled to attend the General Meeting and vote on (i) the special resolution to approve and give effect to the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares; and (ii) the ordinary resolution to, immediately thereafter restore the number of the number of issued share capital of the Company to the amount prior to the cancellation and extinguishment of the Scheme Shares by the allotment and issue at par to the Offeror of such aggregate number of new Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme and apply the reserve created as a result of such capital reduction to pay up in full at par such number of new Shares to be allotted and issued, credited as fully paid, to the Offeror. Each of the Offeror Concert Parties will undertake that, if the Scheme is approved at the Court Meeting, they will cast the votes attaching to the Shares held by them in favour of the aforesaid resolutions to be proposed at the General Meeting.



## **COSTS OF THE SCHEME**

Pursuant to Rule 2.3 of the Takeovers Code, if the Scheme is not approved and the Proposal is either not recommended by the Independent Board Committee, or is not recommended as fair and reasonable by the Independent Financial Adviser, all costs and expenses incurred by the Company and the Offeror in connection with the Scheme will be borne by the Offeror.

If the Proposal is recommended by the Independent Board Committee, and is recommended as fair and reasonable by the Independent Financial Adviser, the Company and the Offeror have agreed that each party will bear their own costs, charges and expenses.

## **GENERAL**

The Offeror confirms that, as at the date of this joint announcement:

- (i) the Offeror or the Offeror Concert Parties have not received any irrevocable commitment to vote for or against the Scheme;
- (ii) save as disclosed in the section headed “Shareholding Structure of the Company and Scheme Shares” and save for the Options, there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror or the Offeror Concert Parties;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which may be material to the Proposal (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (iv) save as disclosed in the section headed “Shareholding Structure of the Company and Scheme Shares” and save for the Options, none of the Offeror or the Offeror Concert Parties owns or has control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;
- (v) save for the Rights Issue, none of the Offeror and the Offeror Concert Parties has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the six-month period immediately prior to the date of this joint announcement;
- (vi) there is no agreement or arrangement to which the Offeror or any of the Offeror Concert Parties is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposal;
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or the Offeror Concert Parties have borrowed or lent;



(viii) there is no understanding, arrangement or special deal between any Shareholder and the Offeror and/or the Offeror Concert Parties; and

(ix) save for the Cancellation Price and the Option Offer Price, no consideration, compensation or benefit in whatever form is or will be provided by the Offeror or the Offeror Concert Parties to the Shareholders in connection with the Proposal.

The Board and the Offeror confirm that, as at the date of this joint announcement, there is no understanding, agreements, arrangement or special deal between (a) any Shareholder and (b)(i) the Company, its subsidiaries or associated companies or (b)(ii) the Offeror and/or the Offeror Concert Parties.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising all independent non-executive Directors namely Mr. LAM, Peter, Mr. LEUNG Man Chiu, Lawrence and Mr. FAN Yan Hok, Philip) has been established in accordance with Rule 2.1 of the Takeovers Code to advise and give a recommendation to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are fair and reasonable and as to voting. Mr. Yung, the non-executive Director, is a director and the controlling shareholder of the Offeror. Mr. Tang, also the non-executive Director, is a director of the Offeror. As such, both of them are the Offeror Concert Parties and therefore, are regarded as being interested in the Proposal and will not form part of the Independent Board Committee.

An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee in this regard. An announcement of such appointment will be made by the Company in due course.

### **DESPATCH OF SCHEME DOCUMENT**

The Scheme Document containing, among others, further details of (i) the Proposal and the Scheme; (ii) the expected timetable; (iii) an explanatory memorandum as required under the Companies Act and the rules of the Grand Court; (iv) information regarding the Company; (v) recommendations from the Independent Board Committee with respect to the Proposal and the Scheme; (vi) the letter of advice from the Independent Financial Adviser to the Independent Board Committee; and (vii) a notice of the Court Meeting and a notice of the General Meeting, together with the respective forms of proxy in relation thereto, will be despatched to the Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Listing Rules, the Companies Act, the Grand Court and other applicable laws and regulations.

The Scheme Document will contain important information and the Disinterested Shareholders are urged to read carefully the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the General Meeting. Any voting, acceptance or other response to the Proposal should be made on the basis of information in the Scheme Document or any other document by which the Proposal is made.

## **DEALING DISCLOSURE**

All associates (as defined under the Takeovers Code and include persons holding 5% or more of any class of relevant securities) of any of the Company and the Offeror are hereby reminded to disclose their dealings in any securities of the Company pursuant to the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below.

*“Responsibility of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 3:37 p.m. on 5 November 2021 pending the release of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 12 November 2021.

## WARNING

**Shareholders and potential investors should be aware that the implementation of the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their own professional advisers.**

## DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings in this joint announcement:

“acting in concert”	has the meaning given to it under the Takeovers Code
“associate(s)”	has the meaning given to it under the Takeovers Code
“associated company(ies)”	has the meaning given to it under the Takeovers Code
“Board”	the board of Directors
“Cancellation Price”	the cancellation price of HK\$1.40 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“close relatives”	has the meaning given to it under the Takeovers Code
“Companies Act”	the Companies Act (as consolidated and revised), of the Cayman Islands
“Company”	PFC Device Inc. (stock code: 8231), an exempted company incorporated in the Cayman Islands with limited liability, the Shares are listed on the GEM
“Condition(s)”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “TERMS OF THE PROPOSAL — Conditions of the Proposal and the Scheme” of this joint announcement
“Court Meeting”	a meeting of the Disinterested Shareholders to be convened at the direction of the Grand Court at which the Scheme will be voted upon

“concert parties”	with respect to a person, parties acting in concert or presumed to acting in concert with that person for the purposes of the Takeovers Code
“Director(s)”	the director(s) of the Company
“Disinterested Scheme Share(s)”	Share(s) other than those held by the Offeror and the Offeror Concert Parties
“Disinterested Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties
“Effective Date”	the date on which the Scheme becomes effective
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegates of the executive director
“GEM”	GEM operated by the Stock Exchange
“General Meeting”	an extraordinary general meeting of the Company to be held immediately after the Court Meeting for the purpose of considering and approving, among others, the changes to the share capital of the Company as described in the section headed “TERMS OF THE PROPOSAL — Conditions of the Proposal and the Scheme” of this joint announcement
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Independent Board Committee”	the independent board committee of the Company, comprising all independent non-executive Directors namely Mr. LAM, Peter, Mr. LEUNG Man Chiu, Lawrence and Mr. FAN Yan Hok, Philip established by the Board to make a recommendation to the Disinterested Shareholders in respect of the Proposal and the Scheme

“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee
“Last Trading Day”	5 November 2021, being the last trading day for the Shares immediately before the publication of this joint announcement
“Long Stop Date”	31 March 2022, or such later date as the Offeror, the Company and Somerley may agree or, to the extent applicable, as the Grand Court may direct and, in all cases, as permitted by the Executive
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Mr. Chow”	Mr. CHOW Kai Chiu, David, executive Director and one of the directors of the Offeror
“Mr. Hong”	Mr. HONG James Man-fai, executive Director and the chief executive officer of the Company
“Mr. Tang”	Mr. TANG Che Yin, non-executive Director and one of the directors of the Offeror
“Mr. Yung”	Mr. YUNG Kwok Kee, Billy, the chairman of the Company and non-executive Director, and a director and the ultimate controlling shareholder of the Offeror
“Offeror”	Lotus Atlantic Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and the controlling Shareholder of the Company
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert under the definition of “acting in concert” under the Takeovers Code with the Offeror in relation to the Company, such persons who has interest in the Shares and/or Options include Mr. Yung, Mr. Tang, Mr. Chow, Mr. Hong, Sybond Venture Limited, Shell Holdings and Red Dynasty Investments Limited
“Offers”	refers to the Scheme and the Option Offer
“offer period”	has the meaning given to it under the Takeovers Code

“Option(s)”	outstanding share option(s) (vested or unvested) granted under the Share Option Scheme from time to time
“Option Holder(s)”	holder(s) of the Options
“Option Offer”	the offer to be made by or on behalf of the Offeror to the Option Holders
“Option Offer Price”	the price for cancellation of each Option, being HK\$0.01
“PRC”	the People’s Republic of China (but excluding, for the purpose of this joint announcement only, Hong Kong, Macau and Taiwan)
“Proposal”	the proposal for the privatisation of the Company by the Offeror by way of the Scheme and the Option Offer, and the withdrawal of the listing of the Shares on GEM of the Stock Exchange, on the terms and subject to the conditions set out in this joint announcement
“Prospectus”	the Company’s prospectus dated 8 June 2021 in connection with the Rights Issue
“Record Date”	the appropriate record date to be announced for determining entitlements under the Scheme
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Relevant Authorities”	any relevant government, quasi-governmental, supranational, regulatory, administrative or investigative body, court, tribunal, arbitrator, agency, authority or department having jurisdiction over members of the Group in matters relevant to the Proposal
“relevant securities”	has the meaning given to it under Note 4 to Rule 22 of the Takeovers Code
“Rights Issue”	the Company’s rights issue announced on 23 April 2021 on the basis of one rights share for every two consolidated shares held on the record date on a non-underwritten basis

“Scheme”	a scheme of arrangement under Section 86 of the Companies Act involving, among others, the cancellation of all the Scheme Shares and the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares
“Scheme Document”	the scheme document of the Company and the Offeror to be issued to all Shareholders containing, among others, further details of the Proposal together with the additional information specified in the section headed “DESPATCH OF SCHEME DOCUMENT” of this joint announcement
“Scheme Share(s)”	Share(s) other than those held by the Offeror
“Scheme Shareholder(s)”	registered holder(s) of the Scheme Shares
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme of the Company adopted on 19 September 2016
“Shell Holdings”	Shell Electric Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sommerley”	Sommerley Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) registered activities as defined under the SFO, and the financial adviser to the Offeror in relation to the Proposal
“special deal”	has the meaning given to it under Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“Takeovers Code”                      the Hong Kong Code on Takeovers and Mergers

“USA”                                        the United States of America

“%”    per cent.

By Order of the board of  
**Lotus Atlantic Limited**  
**YUNG Kwok Kee, Billy**  
*Director*

By Order of the board of  
**PFC Device Inc.**  
**CHOW Kai Chiu, David**  
*Executive Director*

Hong Kong, 11 November 2021

*As at the date of this joint announcement, the board of director of the Offeror comprises three directors namely Mr. YUNG Kwok Kee, Billy, Mr. TANG Che Yin and Mr. CHOW Kai Chiu, David.*

*As at the date of this joint announcement, the board of director of Sybond Venture Limited comprise of two directors namely Mr. YUNG Kwok Kee, Billy and Mr. CHOW Kai Chiu, David.*

*As at the date of this joint announcement, the board of director of Shell Holdings comprises four directors namely Mr. YUNG Kwok Kee, Billy, Madam HSU Vivian, Mr. CHOW Kai Chiu, David, and Madam LI Pik Mui, Cindy.*

*As at the date of this joint announcement, the sole director of Red Dynasty Investments Limited is Mr. YUNG Kwok Kee, Billy.*

*The directors of the Offeror, Sybond Venture Limited, Shell Holdings and Red Dynasty Investments Limited, jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Group), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*As at the date of this joint 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 joint announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited 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 joint 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.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than that relating to the Offeror), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.*

*This joint announcement will remain on the GEM's website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the day of its posting and on the Company's website at [www.pfc-device.com](http://www.pfc-device.com).*

*In the case of inconsistency, the English text of this joint announcement shall prevail over the Chinese text.*