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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.

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

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**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)

**(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) OPTION OFFER  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING**

**Financial Adviser to the Offeror**



**SOMERLEY CAPITAL LIMITED**

**Independent Financial Adviser to the Independent Board Committee**

**ALTUS CAPITAL LIMITED**

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Unless the context otherwise requires, capitalised terms used in this Scheme Document (including this cover page) are defined in the section headed "Definitions" of this Scheme Document. A letter from the Board is set out on pages 17 to 27 of this Scheme Document. A letter from the Independent Board Committee containing its advice to the Disinterested Shareholders in relation to the Proposal (including the Option Offer) is set out on pages 28 to 29 of this Scheme Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee in relation to the Proposal (including the Option Offer) is set out on pages 30 to 46 of this Scheme Document. An Explanatory Statement is set out on pages 47 to 70 of this Scheme Document.

The actions to be taken by the Shareholders and the Option Holders are set out on pages 1 to 6 of this Scheme Document.

Notices convening the Court Meeting and the EGM to be held at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong on Wednesday, 16 February 2022 at 9:00 a.m. and 10:00 a.m. (both in Hong Kong time) respectively (or, in the case of the EGM, immediately after the Court Meeting shall have concluded or been adjourned) are set out on pages IV-1 to IV-3 and V-1 to V-3 of this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting and the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, but in any event no later than the respective times and dates as stated under the section headed "Actions to be taken" set out on pages 1 to 6 of this Scheme Document. Completion and return of the forms of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked. This Scheme Document is issued jointly by the Offeror and the Company. In case of inconsistency, the English language text of this Scheme Document shall prevail over the Chinese language text.

**PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM**

Please refer to the section headed "Actions to be taken" on pages 1 to 6 of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.

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*The Proposal is made solely through this Scheme Document to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act. It contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Proposal is made.*

*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 nationals. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.*

**NOTICE TO US INVESTORS**

*The Proposal is being made to cancel the securities of a Cayman Islands company by means of a scheme of arrangement provided for under the Companies Act and is subject to Hong Kong disclosure requirements, which are different from those of the US. The Scheme must be approved by the requisite majority of shareholders and sanctioned by the Grand Court. The financial information included in this Scheme Document (if any) has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles of the US.*

*The shares of the Cayman Islands company are listed on GEM of the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Exchange Act of 1934, as amended (the "Exchange Act"). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the Exchange Act. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in the Cayman Islands and Hong Kong to schemes of arrangement, which differ from the disclosure requirements of the US federal securities laws.*

*This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the US.*

*The receipt of cash pursuant to the Proposal by a US Scheme Shareholder as consideration for the cancellation of their Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each Scheme Shareholder is urged to consult its independent professional adviser immediately regarding the potential tax consequences of the Proposal.*

*It may be difficult for US Scheme Shareholders to enforce their rights and claims arising out of the US federal securities laws, as the Offeror and the Company are located in a country other than the US and some or all of their officers and directors may be residents of a country other than the US. US holders of Scheme Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

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*The Scheme as set out in this Scheme Document has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this Scheme Document. Any representation to the contrary is a criminal offence in the United States.*

*Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at <http://www.hkexnews.hk> and by the Company at [www.pfc-device.com](http://www.pfc-device.com).*

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## ACTIONS TO BE TAKEN

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**This Scheme Document contains important information and you should carefully read this Scheme Document in full, including the Letter from the Board, the Letter from the Independent Board Committee, the Letter from the Independent Financial Adviser and the Appendices, before making any decision.**

### 1. ACTIONS TO BE TAKEN BY SHAREHOLDERS

For the purpose of determining the entitlements of the Disinterested Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 10 February 2022.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Disinterested Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Scheme.**

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Disinterested Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 9:00 a.m. on Monday, 14 February 2022) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 10:00 a.m. on Monday, 14 February 2022) or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked.

If a Shareholder appoints a person (be that he is the chairman of the Court Meeting and/or the EGM, or any other person) to vote by proxy, his vote by proxy shall be counted as one vote for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

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## ACTIONS TO BE TAKEN

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If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the articles of association of the Company and as required under the GEM Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

### **2. ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

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## ACTIONS TO BE TAKEN

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The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, if you wish to vote at the Court Meeting and/or the EGM in respect of the Proposal, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to attend and vote at the Court Meeting and/or the EGM.** The procedure for voting in respect of the Proposal by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Disinterested Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary.

You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from the CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Disinterested Shareholders approve the Scheme has been satisfied. Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the

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## ACTIONS TO BE TAKEN

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Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Only Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. Beneficial Owners who wish to individually vote or be individually counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act should make the appropriate arrangements with the Registered Owner or their broker, custodian, nominee or any other authorised third party, or alternatively to arrange for some or all of such Shares registered under the Registered Owner to be transferred into their own name.

### 3. PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting and the EGM, the Company will firmly implement precautionary measures at the Court Meeting and the EGM, including:

- (a) compulsory body temperature checks will be conducted for each attendee at the entrance of the venue of the Court Meeting and the EGM. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the venue and may be required to leave the venue but may be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue;
- (b) each attendee will be required to wear a surgical face mask at all times throughout the Court Meeting and the EGM within the venue of the Court Meeting and the EGM;
- (c) no food or drinks or souvenirs will be served or distributed at the Court Meeting and the EGM; and
- (d) any person who (i) has contracted COVID-19, has been tested preliminary positive of COVID-19 or is suspected of contracting COVID-19; (ii) has travelled outside Hong Kong within 14 days immediately before the Court Meeting and/or the EGM; (iii) is subject to Hong Kong Government prescribed compulsory quarantine in relation to COVID-19; (iv) has been in close contact with any person subject to (i), (ii) or (iii) above; or (v) has any flu-like symptoms, shall not attend the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the meeting venue to the extent that such person(s) is legally permitted to be present at the meeting venue under applicable laws and regulations. Shareholders who fall under the above categories are advised to exercise their voting rights by appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person.



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## ACTIONS TO BE TAKEN

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Any person who does not comply with the precautionary measures taken by the Company or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Pursuant to the Regulation, group gatherings of more than a designated number of persons as prescribed under the Regulation for shareholders' meetings are required to be accommodated in separate rooms or partitioned areas. The Company will comply with the relevant requirements under the Regulation as and when appropriate at the time of the Court Meeting and the EGM.

**The Company would like to further remind the Shareholders that physical attendance in person at the Court Meeting and/or the EGM is not necessary for the purpose of exercising voting rights. Shareholders are encouraged to consider appointing the chairman of the Court Meeting and/or the EGM as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting and/or the EGM as an alternative to attending the Court Meeting and/or the EGM in person. In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 9:00 a.m. on Monday, 14 February 2022) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 10:00 a.m. on Monday, 14 February 2022) or any adjournment thereof, with the Share Registrar at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong.**

Subject to the development of the COVID-19 situation or any directive(s) that may be further issued by the Hong Kong Government, the Company may implement and/or adjust the precautionary measures for the Court Meeting and/or the EGM at short notice as the public health situation changes, and may issue further announcement(s) on such measures as and when appropriate. In any event, the Shareholders will not be deprived of their right of voting on the resolution(s) to be proposed at the Court Meeting and/or the EGM.

#### **4. ACTIONS TO BE TAKEN BY THE OPTION HOLDERS**

The Option Offer Letter is being sent to each Option Holder, together with this document and a Form of Acceptance. If you are an Option Holder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Company at its principal office (being 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong), for the attention of the company secretary of the Company and marked "PFC Device Inc. — Option Offer", by no later than 4:00 p.m. on Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Options or any other document will be given.

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## ACTIONS TO BE TAKEN

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The Option Offer Price will be payable in cash by the Offeror subject to the terms and conditions of your Options. In return, all rights and obligations under your Options will be immediately cancelled by the Offeror and the Company upon your acceptance. All Option Holders must lodge the duly completed and executed Form of Acceptance as mentioned above at or before 4:00 p.m. on Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).

The Option Offer is extended to holders of all Options in issue on the date on which the Option Offer is made. Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not exercised will lapse upon the Scheme being effective.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VI to this document.

### 5. EXERCISE YOUR RIGHT TO VOTE

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

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## DEFINITIONS

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*In this Scheme Document, the following expressions have the meanings set out below, unless the context requires otherwise:*

“acting in concert”	has the meaning given to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement Date”	11 November 2021, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself/herself
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“close relatives”	has the meaning given to it under the Takeovers Code
“Companies Act”	the Companies Act (2021 revision) of the Cayman Islands
“Company”	PFC Device Inc. 節能元件有限公司 (stock code: 8231), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange
“Condition(s)”	the conditions to the implementation of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement
“Court Meeting”	a meeting of the Disinterested Shareholders to be convened at the direction of the Grand Court at 9:00 a.m. (Hong Kong time) on Wednesday, 16 February 2022 at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof

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## DEFINITIONS

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“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 in accordance with the Companies Act
“EGM”	an extraordinary general meeting of the Company to be held at 10:00 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting) on Wednesday, 16 February 2022 at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong and any adjournment thereof for the purpose of approving (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 as a result of the Scheme; and (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror
“EGM Record Date”	16 February 2022, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 47 to 70 of this Scheme Document
“Form of Acceptance”	the form of acceptance despatched to the Option Holders in connection with the Option Offer

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## DEFINITIONS

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“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company which comprises 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 (including the Option Offer) and the Scheme
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Proposal (including the Option Offer) and the Scheme, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the announcement jointly issued by the Offeror and the Company on 11 November 2021 in relation to the Proposal
“Last Trading Day”	5 November 2021, being the last trading day of Shares prior to the suspension of trading of Shares pending the issue of the Joint Announcement
“Latest Practicable Date”	18 January 2022, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“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

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## DEFINITIONS

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“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)
“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
“Ms. Li”	Ms. LI Pik Mui Cindy, a director of Shell Holdings
“offer period”	has the meaning given to it under the Takeovers Code
“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 Party(ies)”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code with the Offeror in relation to the Company, being such persons who have interest in the Shares and/or Options include Mr. Yung, Mr. Tang, Mr. Chow, Mr. Hong, Ms. Li, Ms. Vivian Hsu, Sybond Venture Limited, Shell Holdings and Red Dynasty Investments Limited
“Offeror Director(s)”	the director(s) of the Offeror
“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 being made by or on behalf of the Offeror to the Option Holders
“Option Offer Letter”	the letter dated 21 January 2022 setting out the terms and conditions of the Option Offer sent separately to the Option Holders, a form of which is set out in Appendix VI to this Scheme Document

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## DEFINITIONS

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“Option Offer Price”	the price for cancellation of each Option, being HK\$0.01
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region 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 from GEM of the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Prospectus”	the Company’s prospectus dated 8 June 2021 in connection with the Rights Issue
“Registered Owner”	any person (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Relevant Authorities”	appropriate governments, 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 Period”	the period commencing on 11 May 2021, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“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”	the scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act for the implementation of the Proposal as set out in Appendix III to this Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Grand Court and agreed to by the Company

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## DEFINITIONS

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“Scheme Court Meeting Record Date”	16 February 2022, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date” or “Record Date”	23 March 2022, the date on which the Scheme becomes effective or such other date as shall have been announced to the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Cancellation Price upon the Scheme becoming effective
“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) of HK\$0.20 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 19 September 2016
“Share Registrar”	Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s branch share registrar
“Shareholder(s)”	holder(s) of the Shares
“Shell Holdings”	Shell Electric Holdings Limited, a company incorporated in Bermuda with limited liability
“Somerley”	Somerley 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



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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“US” or the “United States”	the United States of America
“%”	per cent

*All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.*

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## EXPECTED TIMETABLE

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*The following timetable takes into account the procedures of the Grand Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.*

<b>Event</b>	<b>Date</b>
Despatch of this Scheme Document . . . . .	Friday, 21 January 2022
Despatch of the Option Offer Letter for the Option Offer . . . . .	Friday, 21 January 2022
Latest time for Option Holders to lodge notice of exercise of their Options in order: (i) to be entitled to attend and vote at the Court Meeting and the EGM; and (ii) to qualify for entitlements under the Scheme . . . . .	4:30 p.m. on Thursday, 10 February 2022
Latest time for lodging transfers of Shares in order to become entitled to vote at the Court Meeting and the EGM . . . . .	4:30 p.m. on Thursday, 10 February 2022
Register of members of the Company in respect of the Shares closed for determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM ( <i>Note 1</i> ) . . . . .	From Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive)
Latest time for lodging the <b>pink</b> form of proxy in respect of the Court Meeting ( <i>Note 2</i> ) . . . . .	9:00 a.m. on Monday, 14 February 2022
Latest time for lodging the <b>white</b> form of proxy in respect of the EGM ( <i>Note 2</i> ) . . . . .	10:00 a.m. on Monday, 14 February 2022
Meeting Record Date . . . . .	Wednesday, 16 February 2022
Court Meeting ( <i>Notes 3 and 8</i> ). . . . .	9:00 a.m. on Wednesday, 16 February 2022
EGM ( <i>Notes 3 and 8</i> ) . . . . .	10:00 a.m. on Wednesday, 16 February 2022
Announcement of the results of the Court Meeting and the EGM . . . . .	no later than 7:00 p.m. on Wednesday, 16 February 2022
Expected latest time of trading in the Shares on the Stock Exchange . . . . .	4:10 p.m. on Friday, 18 February 2022
Latest time for the Option Holders to exercise their Share Options to qualify for entitlements under the Scheme . . . . .	4:30 p.m. on Thursday, 3 March 2022

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## EXPECTED TIMETABLE

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Latest time for lodging transfers of Shares in order to qualify for the entitlements under the Scheme . . . . .	4:30 p.m. on Thursday, 3 March 2022
Register of members of the Company in respect of the Shares closed for determining entitlements to qualify under the Scheme ( <i>Note 4</i> ) . . . . .	From Friday, 4 March 2022 onwards
Court hearing of the petition to sanction the Scheme and to confirm the issued share capital reduction . . . . .	Tuesday, 8 March 2022 <b>(Cayman Islands time)</b>
Announcement of: (i) the result of the court hearing; (ii) the expected Effective Date; (iii) the expected date of withdrawal of listing of the Shares on GEM of the Stock Exchange; and (iv) the Option Offer becoming unconditional . . . . .	Wednesday, 9 March 2022
Scheme Record Date . . . . .	Wednesday, 23 March 2022
Share Option Record Date . . . . .	Wednesday, 23 March 2022
Latest time to accept the Option Offer and the closing date of the Option Offer . . . . .	4:00 p.m. on Wednesday, 23 March 2022
Lapse of all Options. . . . .	From 4:00 p.m. on Wednesday, 23 March 2022
Effective Date ( <i>Note 5</i> ) . . . . .	Wednesday, 23 March 2022 <b>(Cayman Islands time)</b>
Announcement of: (i) the Effective Date; (ii) the withdrawal of listing of the Shares on GEM of the Stock Exchange; and (iii) the results of the Option Offer. . . . .	Before 8:30 a.m. on Thursday, 24 March 2022
Expected withdrawal of listing of the Shares on GEM of the Stock Exchange becomes effective ( <i>Note 6</i> ). . . . .	4:00 p.m. on Friday, 25 March 2022
Latest time to despatch cheques for cash entitlements under the Scheme ( <i>Note 7</i> ). . . . .	on or before Friday, 1 April 2022
Latest time to despatch cheques for cash payment to the Option Holders ( <i>Note 7</i> ). . . . .	on or before Friday, 1 April 2022

Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

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## EXPECTED TIMETABLE

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*Notes:*

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Disinterested Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, this book close period is not for determining entitlements under the Scheme.
2. The **pink** form of proxy in respect of the Court Meeting and the **white** form of proxy in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates stated above. The **pink** form of proxy for use at the Court Meeting and the **white** form of proxy for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid except that the form of proxy for use at the Court Meeting may be handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it). The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude a member from attending and voting in person at the relevant meeting or any adjournment thereof if he/she/it so wishes. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its form of proxy, the returned form of proxy shall be deemed to have been revoked.
3. Please see the notice of the Court Meeting set out in Appendix IV to this Scheme Document and the notice of the EGM set out in Appendix V to this Scheme Document.
4. The register of members of the Company will be closed as from such date and on such date for the purpose of determining the Scheme Shareholders who are qualified for entitlement under the Scheme.
5. When all the Conditions are satisfied or waived (as applicable), a copy of the order of the Grand Court sanctioning the Scheme will be delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act, at which point it shall become effective and binding on the Offeror, the Company and all Scheme Shareholders. The Effective Date would be earlier than the date of announcement of the Effective Date and the withdrawal of listing of the Shares on GEM of the Stock Exchange due to the timing difference between Hong Kong and the Cayman Islands.
6. If all the Conditions are fulfilled (or waived as applicable), the Offeror will implement the Proposal to cancel and extinguish the Scheme Shares and the Company will apply to the Stock Exchange for the withdrawal of listing of the Shares on GEM of the Stock Exchange in accordance with Rule 9.23(2) of the GEM Listing Rules.
7. Cheques for the cash entitlements to the Scheme Shareholders and the Option Holders will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company on the Scheme Record Date on or before Friday, 1 April 2022.
8. If a tropical cyclone warning signal No. 8 or above or "extreme conditions" caused by super typhoons is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the EGM, the Court Meeting and the EGM will be adjourned. The Company will post an announcement on the respective websites of the Stock Exchange and the Company to notify the members of the date, time and venue of the rescheduled meetings.

*All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.*

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## LETTER FROM THE BOARD

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# PFC Device Inc.

## 節能元件有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8231)**

*Executive Directors:*

HONG James Man-fai

*(Chief executive officer)*

CHOW Kai Chiu, David

*Non-executive Directors:*

YUNG Kwok Kee, Billy

TANG Che Yin

*Independent Non-Executive Directors:*

LAM, Peter

LEUNG Man Chiu, Lawrence

FAN Yan Hok, Philip

*Registered Office:*

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Principal Place of Business in Hong Kong:*

1/F., Shell Industrial Building

12 Lee Chung Street

Chai Wan

Hong Kong

21 January 2022

*To the Shareholders and Option Holders*

Dear Sir or Madam

**(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) OPTION OFFER  
AND  
(3) PROPOSED WITHDRAWAL OF LISTING**

### **1. INTRODUCTION**

On 11 November 2021, the Offeror and the Company jointly announced that on 5 November 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed 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.

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## LETTER FROM THE BOARD

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If the Proposal is approved and implemented, 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.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal and the Scheme and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 30 to 46 of this Scheme Document; (iii) the Explanatory Statement set out on pages 47 to 70 of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix III to this Scheme Document.

### 2. TERMS OF THE PROPOSAL

The Proposal will be implemented by way of the Scheme.

#### **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.

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date.

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

#### **Comparison of value**

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

- i. a premium of approximately 15.70% over the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on 18 January 2022, being the Latest Practicable Date;
- ii. 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;

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## LETTER FROM THE BOARD

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- iii. 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 Last Trading Day;
- iv. 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;
- v. 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;
- vi. 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;
- 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 60 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- viii. 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;
- ix. 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;
- x. 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
- xi. 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.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.27 on 12, 25 November and 24 December 2021 respectively and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.700 on 27 July and 25 October 2021 respectively.

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## LETTER FROM THE BOARD

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### Option Offer

As at the Latest Practicable Date, there were 683,922 outstanding Options granted under the Share Option Scheme with an exercise price of HK\$3.179.

The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering 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.

As at the Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date).

The Option Offer Letter setting out the terms and conditions of the Option Offer (substantially in the form set out in Appendix VI to this Scheme Document) is being despatched separately to the Option Holders pursuant to which an appropriate offer is made by the Offeror to the Option Holders to cancel every Option they hold in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Further information on the Option Offer is contained in the Option Offer Letter. The Option Offer is extended to all Options in issue on the date on which the Option Offer is made.

Please refer to the paragraph headed “The Scheme – Option Offer” in the Explanatory Statement set out on pages 49 to 50 of this Scheme Document for further details of the Option Offer.



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## LETTER FROM THE BOARD

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### **Total consideration and financial resources**

As at the Latest Practicable Date, there were 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.

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.

### **3. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

Your attention is drawn to the section headed “Conditions of the Proposal” in the Explanatory Statement on pages 51 to 53 of this Scheme Document.

### **4. SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.2 each, and the Company had 121,352,419 Shares in issue.

As at the Latest Practicable Date, the Offeror held 85,105,625 Shares, representing approximately 70.1% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 598,773 Shares and 426,012 Options, representing an aggregate of 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 35,648,021 Shares, represent approximately 29.4% of the issued share capital of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date		Assume full conversion of the Options prior to the Record Date		Assume full conversion of the Options and upon the Scheme becoming effective	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<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	–	–
Ms. Li (Note 5)	10,000	–	10,000	–	–	–
Subtotal	598,773	0.5	1,024,785	0.8	–	–
<b>Aggregate number of Shares held by the Offeror and Offeror Concert Parties</b>	<b>85,704,398</b>	<b>70.6</b>	<b>86,130,410</b>	<b>70.6</b>	<b>122,036,341</b>	<b>100</b>
<b>Disinterested Shareholders:</b>						
Other Scheme Shareholders	35,648,021	29.4	35,905,931	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 6)</b>	<b>36,246,794</b>		<b>36,930,716</b>			

*Notes:*

- 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.
- 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.
- Mr. Chow is an executive Director and one of the directors of the Offeror, and a Scheme Shareholder.
- 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.
- Ms. Li is a person presumed to be acting in concert with the Offeror by virtue of her position as a director of Shell Holdings. The Offeror is an indirect wholly-owned subsidiary of Shell Holdings.
- Scheme Shares comprise Share(s) other than those held by the Offeror.

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## LETTER FROM THE BOARD

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7. 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 in accordance with Rule 9.23(2) of the GEM Listing Rules, the Offeror will hold 100% of the issued share capital of the Company.

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

You are urged to read carefully the section headed "Reasons for and benefits of the Proposal" in the Explanatory Statement on pages 57 to 59 of this Scheme Document.

### **6. THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP**

You are urged to read the section headed "Intention of the Offeror with regard to the Company" in the Explanatory Statement on page 59 of this Scheme Document.

The Board has noted the intentions of the Offeror as disclosed in the above section in the Explanatory Statement.

### **7. INFORMATION ON THE GROUP AND THE OFFEROR**

#### **The Group**

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange with the stock code 8231. The Group is principally engaged in design, manufacturing and sales of its own branded power discrete semiconductors namely Schottky and MOSFET.

Your attention is drawn to the section headed "Financial Information relating to the Group" set out in Appendix I to this Scheme Document for further information on the Company.

#### **The Offeror and the Offeror Concert Parties**

Your attention is drawn to the section headed "Information about the Offeror and the Offeror Concert Parties" in the Explanatory Statement.

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## **LETTER FROM THE BOARD**

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### **8. WITHDRAWAL OF LISTING OF SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of 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 in accordance with Rule 9.23(2) of the GEM Listing Rules immediately following the Scheme becoming effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 14 to 16 of this Scheme Document.

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.

### **9. 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.

If the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, and the Scheme is not approved, all expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

### **10. OVERSEAS SHAREHOLDERS AND OPTION HOLDERS**

If you are an overseas holder of the Scheme Shares, your attention is also drawn to the section headed “Overseas Shareholders and Option Holders” in the Explanatory Statement.

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## LETTER FROM THE BOARD

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### 11. GENERAL

As at the Latest Practicable Date:

- (a) the Offeror or the Offeror Concert Parties have not received any irrevocable commitment to vote for or against the Scheme;
- (b) save as disclosed in the section headed “Shareholding Structure of the Company” in the Letter from the Board and save for the 426,012 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;
- (c) 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);
- (d) save as disclosed in the section headed “Shareholding Structure of the Company” in the Letter from the Board and save for the 426,012 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;
- (e) save for the Rights Issue and Ms. Li’s acquisition of 10,000 Shares on 12 November 2021, 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 Relevant Period;
- (f) 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;
- (g) 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;
- (h) there is no understanding, arrangement or special deal between any Shareholder and the Offeror and/or the Offeror Concert Parties;
- (i) 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; and
- (j) 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.

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## **LETTER FROM THE BOARD**

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### **12. INDEPENDENT BOARD COMMITTEE**

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 (including the Option Offer) 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.

The full text of the letter from the Independent Board Committee is set out on pages 28 to 29 of this Scheme Document.

### **13. INDEPENDENT FINANCIAL ADVISER**

Altus Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal (including the Option Offer) and the Scheme. The appointment of Altus Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out on pages 30 to 46 of this Scheme Document.

### **14. COURT MEETING AND EGM**

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the section headed “Court Meeting and EGM” in the Explanatory Statement on pages 64 to 65 of this Scheme Document, the section headed “Actions to be taken” on pages 1 to 6 of this Scheme Document, and the notice of the Court Meeting and the notice of the EGM set out in Appendix IV and Appendix V, respectively, to this Scheme Document.

### **15. ACTIONS TO BE TAKEN**

The actions which you are required to take in relation to the Proposal are set out under the section headed “Actions to be taken” on pages 1 to 6 of this Scheme Document and the paragraph headed “Actions to be taken” in the Explanatory Statement on pages 65 to 69 of this Scheme Document.

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## LETTER FROM THE BOARD

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### 16. RECOMMENDATIONS

The full text of the letter from the Independent Financial Adviser containing its recommendations and the principal factors and reasons that it has taken into consideration in arriving at its recommendations is set out on pages 30 to 46 of this Scheme Document. We would advise you to read this letter and the letter from the Independent Financial Adviser carefully before you take any action in respect of the Proposal.

The Independent Board Committee, having considered the terms of the Proposal (including the Option Offer) and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the letter from the Independent Financial Adviser on pages 30 to 46 of the Scheme Document, has set out its recommendations on pages 28 to 29 of this Scheme Document.

### 17. TAXATION

It is emphasised that none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar 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 or persons as a result of their acceptance or rejection of the Proposal.

Accordingly, you are urged to read the section headed “Taxation and Independent Advice” in the Explanatory Statement set out on pages 63 to 64 of this Scheme Document and if you are in any doubt as to any aspect of this Scheme Document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

### 18. FURTHER INFORMATION

You are urged to read carefully the letter from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document, the letter from the Independent Financial Adviser set out on pages 30 to 46 of this Scheme Document, the Explanatory Statement, the Scheme, the notice of the Court Meeting and the notice of the EGM set out in Appendix III, Appendix IV and Appendix V, respectively, to this Scheme Document and the other appendices to this Scheme Document.

Yours faithfully  
By order of the Board  
**PFC Device Inc.**  
**CHOW Kai Chiu, David**  
*Director*



**PFC Device Inc.**  
**節能元件有限公司**

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

21 January 2022

*To the Disinterested Shareholders and Option Holders*

Dear Sir or Madam

**(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) OPTION OFFER**  
**AND**  
**(3) PROPOSED WITHDRAWAL OF LISTING**

We refer to the joint announcement dated 11 November 2021 issued by the Offeror and the Company and the document dated 21 January 2022 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings as those defined in the Scheme Document.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Disinterested Shareholders and the Option Holders in respect of the Proposal (including the Option Offer) and the Scheme, details of which are set out in the letter from the Board on pages 17 to 27 of the Scheme Document and the Explanatory Statement on pages 47 to 70 of the Scheme Document.

Altus Capital, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal (including the Option Offer) and the Scheme. The details of its advice and the principal factors and reasons taken into consideration in arriving at its recommendations are set out in the letter from the Independent Financial Adviser on pages 30 to 46 of the Scheme Document.

In the letter from the Independent Financial Adviser as set out on pages 30 to 46 of the Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme as well as the Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned, and advises the Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolution(s) to approve the Scheme at the Court Meeting and the EGM and the Option Holders to accept the Option Offer.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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The Independent Board Committee, having considered the terms of the Proposal (including the Option Offer) and the Scheme, and having taken into account the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in the section headed “Letter from the Independent Financial Adviser” of the Scheme Document, considers that the terms of the Proposal (including the Option Offer) and the Scheme are fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned.

Accordingly, the Independent Board Committee recommends:

- (a) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting;
- (b) the Disinterested Shareholders to vote, at the EGM, in favour of (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 as a result of the Scheme; and (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror; and
- (c) the Option Holders to accept the Option Offer.

The Independent Board Committee draws the attention of the Disinterested Shareholders and the Option Holders to (i) the letter from the Board set out on pages 17 to 27 of the Scheme Document; (ii) the letter from the Independent Financial Adviser set out on pages 30 to 46 of the Scheme Document, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendations to the Independent Board Committee; and (iii) the Explanatory Statement set out on pages 47 to 70 of the Scheme Document.

Yours faithfully,

**The Independent Board Committee**

**Mr. LAM, Peter**  
*Independent non-executive  
Director*

**Mr. LEUNG Man Chiu,  
Lawrence**  
*Independent non-executive  
Director*

**Mr. FAN Yan Hok, Philip**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal (including the Option Offer) and the Scheme for the purpose of inclusion in the Scheme Document.*

**ALTUS.**

21 Wing Wo Street  
Central  
Hong Kong

21 January 2022

*To the Independent Board Committee*

**PFC Device Inc.**

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

Dear Sir or Madam,

**(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) OPTION OFFER; AND  
(3) PROPOSED WITHDRAWAL OF LISTING**

**INTRODUCTION**

We refer to our appointment, which has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee in respect of the Proposal, the Scheme and the Option Offer. Details of the Proposal, the Scheme and the Option Offer are set out in the Letter from the Board contained in the Scheme Document dated 21 January 2022, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

On 5 November 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, there were 683,922 outstanding Options granted under the Share Option Scheme, which have an exercise price of HK\$3.179. The Offeror also made an offer to all the Option Holders, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

### THE INDEPENDENT BOARD COMMITTEE

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 (i) whether the terms of the Proposal and the Scheme as well as the Option Offer are, or are not, fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned; (ii) whether the Disinterested Shareholders should vote in favour of the resolution(s) to approve the Scheme at the Court Meeting and the EGM; and (iii) whether the Option Holders should accept the Option Offer.

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.

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal, the Scheme and the Option Offer, our role is to provide the Independent Board Committee with an independent opinion and recommendation as to (i) whether the terms of the Proposal and the Scheme as well as the Option Offer are, or are not, fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned; (ii) whether the Disinterested Shareholders should vote in favour of the resolution(s) to approve the Scheme at the Court Meeting and the EGM; and (iii) whether the Option Holders should accept the Option Offer.

We (i) are not associated or connected, financially or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (ii) have not acted as financial adviser or independent financial adviser in relation to any transaction of the Company in the last two years prior to the date of the Scheme Document. Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal and the Scheme is at market level and not conditional upon the outcome of the Proposal and the Scheme; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal and the Scheme.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Scheme Document; (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”); and (iv) the third quarterly report of the Company for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Report**”).

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material fact the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Group provided to us by the Group, the Directors and Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Shareholders of accepting or rejecting the Proposal, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Shareholders as a result of the Proposal. In particular, the Shareholders who are subject to Hong Kong or overseas taxation on dealings in securities are urged to seek their own professional adviser on tax matters.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE PROPOSAL

#### 1. Background information of the Group

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

##### 1.1. Financial information

Set out below is a summary of financial information of the Group extracted from the 2020 Annual Report, 2021 Interim Report and 2021 Third Quarterly Report.

	<b>Year ended</b>		<b>Nine months ended</b>	
	<b>31 December</b>		<b>30 September</b>	
	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	17,997	21,098	15,289	18,600
Gross profit	2,599	4,904	3,751	4,093
Profit/(loss) for the year/period attributable to owners of the Company	(1,425)	646	855	1,200
			<b>As at</b>	<b>As at</b>
			<b>As at 31 December</b>	<b>30 June</b>
			<b>2019</b>	<b>2020</b>
			<i>US\$'000</i>	<i>US\$'000</i>
			(audited)	(audited)
			(unaudited)	(unaudited)
Current assets		16,906	20,144	20,863
– Cash and bank balances		6,803	9,594	9,086
Non-current assets		7,289	6,844	12,300
Total assets		24,195	26,988	33,163
Current liabilities		(2,829)	(3,797)	(9,220)
Non-current liabilities		(17)	–	–
Total liabilities		(2,846)	(3,797)	(9,220)
Net assets		21,349	23,191	23,943

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Year ended 31 December 2020 (“FY2020”) compared to year ended 31 December 2019 (“FY2019”)*

The Group recorded an increase in revenue of approximately 17.2% from approximately US\$18.0 million for FY2019 to approximately US\$21.1 million for FY2020. The revenue increase was mainly due to the increase in sales volume of power discrete semiconductors. As disclosed in the 2020 Annual Report, 2020 saw a strong V-shaped recovery for the semiconductor industry in general. Global lockdown and various stay-at-home policies resulted in robust demand for TV, gaming and computing systems to support home-based working, learning, and entertainment. Market demand for semiconductors outstripped supply as the Group’s revenue was limited by the wafer output capacity at partnering foundries.

The Group’s gross profit for FY2020 increased by approximately 88.5% to approximately US\$4.9 million from approximately US\$2.6 million for FY2019. The gross profit margin for the Group was approximately 23.2% for FY2020, increasing from approximately 14.4% for FY2019. The increase in the Group’s gross profit and profit margin was mainly due to the increase in sales volume, which resulted in a lower manufacturing overhead per unit. Additionally, previously implemented cost and expenses control measures as well as higher overall production utilisation rate at the Group’s factory resulted in the aforementioned gross profit margin improvement.

The Group managed to turnaround from a loss attributable to the owners of the Company of approximately US\$1.4 million in FY2019 to a profit of approximately US\$0.6 million in FY2020, which was mainly attributed to the increase in gross profit as aforementioned.

The Group’s net assets increased from approximately US\$21.3 million for FY2019 to approximately US\$23.2 million for FY2020, representing an increase of approximately 8.6%, in line with the improvement in the Group’s profitability. In particular, there was an increase in cash and bank balances from approximately US\$6.8 million as at 31 December 2019 to approximately US\$9.6 million as at 31 December 2020.

*Nine months ended 30 September 2021 (“9M2021”) compared to nine months ended 30 September 2020 (“9M2020”)*

For 9M2021, the Group’s revenue continued to increase by approximately 21.6% to approximately US\$18.6 million as compared with approximately US\$15.3 million for 9M2020. Such increase was mainly due to the continued strong demand for semiconductors, which resulted in an increase in sales volume.

For 9M2021, the Group’s gross profit increased by approximately 7.9% to approximately US\$4.1 million from approximately US\$3.8 million in 9M2020, in line with its higher revenue. For 9M2021, the Group’s gross profit margin was approximately 22.0%, marginally lower than approximately 24.5% for 9M2020. The decrease in gross profit margin was mainly attributable to an increase in wafer fabrication and other raw material costs. It was also affected by higher manufacturing costs due to the rental of power generators to minimise production disruption

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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caused by power shortage in China during 9M2021. In addition, Management noted the appreciation of the Renminbi against US\$ where for example, the exchange rate hit a high of around RMB7.1 per US\$ level in May 2020, and has progressively strengthened since the second half of 2020, reaching around RMB6.5 per US\$ level by end of September 2021. The Group's sales are in US dollar while its production costs are primarily Renminbi-based. The aforesaid exchange rate movements had therefore led to an increase in the Group's production costs in US dollar terms during 9M2021 compared with 9M2020, negatively impacting its profit margins.

The Group's profit attributable to the owners increased from approximately US\$0.9 million for 9M2020 to approximately US\$1.2 million for 9M2021, which was mainly attributable to the increase in gross profit as discussed above. The Group's net assets were stable at approximately US\$23.2 million and US\$23.9 million as at 31 December 2020 and 30 June 2021 respectively.

We noted that subsequent to 30 June 2021, net assets would have increased after the completion of the Rights Issue on 2 July 2021 where the Group had received net proceeds from the Rights Issue (after deducting all necessary expenses) of approximately US\$4 million (approximately HK\$31.2 million).

### *1.2. Outlook*

As disclosed in the 2021 Third Quarterly Report, due to the ongoing Covid-19 pandemic, the Group continues to face disruption in the supply chain with severe shortage of wafers. Manufacturing operation at the Group's Shunde factory has also been disrupted due to the power shortage although we understand from Management that supply of power has since stabilised. Looking ahead, the Group expects demand from sectors such as PC, TV, mobile, automotive to remain strong, and may sustain. However, supply chain disruption and its associated cost increase will continue to put pressure on the Group's business and have negative impact of higher manufacturing costs. The Group hence strives to preserve profitability through cost reduction, vertical integration, and sales price adjustment.

Based on our discussion with Management, we concur with its view that the sustainability of the Group's business and profitability in face of continuous supply chain disruptions, in particular the insufficient wafer supply since late 2020 and price increases since early 2021, is dependent on the Group's ability to reduce its reliance on external suppliers, and ideally be self-contained. The Group has hence initiated a long-term investment plan to develop its own wafer fabrication manufacturing facilities to produce its wafers in-house. According to the Management, the Group's vision is to implement a series of long-term strategic plans and actions that will change the Group's operational dynamics to cater for expansion plans and meet future market demands. The development of its own wafer fabrication manufacturing facilities represents a first step towards such vision. The Group estimates the total spending for this first step will be around US\$32 million spread over a two-year period to construct and fit out the required fab to process primarily the Group's MOSFET products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Section summary*

In summary, it can be concluded that the operating performance of the Group in the recent financial years/periods has been relatively satisfactory despite supply chain disruptions and other factors. The Group's profits for FY2020 and 9M2021 improved as compared with the previous year/corresponding period primarily due to increased market demand for semiconductors. However, it is clear that in order to sustain such profitability and to mitigate the risk of production disruptions caused by insufficient supply of wafers, substantial capital investment is needed for the Group to further vertically integrate and expand its operations to meet the demands from customers. To fund such needs, among others, the Rights Issue was conducted in mid-2021 and we note that no dividend has been declared since the Company was listed in 2016, likely in line with the need for the Group to preserve financial resources.

### **2. The Proposal from the perspective of the Offeror, the Company and the Disinterested Shareholders**

As stated in the section headed "Reasons for and benefits of the Proposal" in the Explanatory Statement of the Scheme Document, 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.

An example of the above appears to be the Group's capital expenditure plan of constructing its own wafer fabrication manufacturing facilities and the Rights Issues recently conducted, as described below.

#### *Capital expenditure plan and progress so far*

The Group plans to construct its own wafer fabrication manufacturing facilities in Shunde, the PRC, which will gradually replace its current outsourcing arrangements with external wafer foundries for the wafer fabrication process. The Board has stated its belief that the aforesaid set-up is advantageous to the development of the Group's business in the long run, and the rationale of undertaking such plan is elaborated in the aforesaid section in the Explanatory Statement of the Scheme Document. Substantial capital expenditure is required for the construction of this wafer fabrication facilities where, according to the Prospectus, a total of approximately US\$32 million will be required for construction and fit-out over the two-year set up period.

Recognisably, the current operating scale and hence cash inflow is not sufficient to support such level and capital spending. To this end, to supplement its internal cash resources, the Group had thus far conducted the Rights Issue (which raised net proceeds of approximately US\$4.0 million) in June 2021, and obtained the pledge of the controlling Shareholder (being Shell Holdings and its subsidiaries, including the Offeror) to provide shareholders' loan for this purpose where necessary. We understand from Management that the Group will likely require such shareholders' loan by early 2022.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Outcome of the Rights Issue

As stated in the Explanatory Statement of the Scheme Document, the Rights Issue conducted by the Company in June 2021 was heavily undersubscribed and did not attract enough attention from the Shareholders other than the controlling Shareholder. Only around 7% of the total rights shares under the Rights Issue was subscribed by rights holders other than the controlling Shareholder, and the Rights Issue was fully subscribed only after the controlling Shareholder had topped up its subscription of the unsubscribed Shares of the Rights Issue through making excess application. This resulted in the increase in shareholding of the controlling Shareholder to 70.1% and conversely, the shareholding of public Shareholders was diluted from 40.6% to 29.4%.

### From the perspective of the Offeror and the Company

We noted that the Proposal is generally aligned from the perspective of the Offeror and the Company.

The participation of the controlling Shareholder (being the Offeror) in excess of its entitlements in the Rights Issue and its willingness to provide shareholders' loan to fund the capital expenditure plan demonstrated its commitment to the Group's long term prospects. The Offeror has also stated its intention to accelerate the Group's strategic plan to expand into wafer fabrication manufacturing.

As the capital expenditure plan entails continuous and further fund raising, we concur with the Offeror's view that the Company will require avenues and flexibilities to raise substantial new equity or debt. The Offeror has stated its intention of further contribution of financial resources into the Company, but the lacklustre response of other Shareholders towards the recent Rights Issue does not bode well for such plan. Management has also informed us that based on their discussion with banks/independent parties, given the large scale of the capital expenditure plan relative to the Group's current operational scale, loans from banks/independent parties, if available, will not be of material amount nor of tenure which matches with the long term nature of the assets to be financed. Finance lease arrangements for machinery is not practicable given their high interest costs. Management has also considered the increased gearing ratio and interest burden if the Group is to obtain further borrowings.

We understand from Management that the benefits of certain strategic decisions may only manifest over a longer term, but may have short term pressure on price of Shares. These may include equity capital fund raising involving cash calls on Shareholders or dilutive shareholding effects, debt capital fund raising and loan financing which may increase the Group's financial gearing ratio, or business plans which may result in initial expenses that negatively affect the Group's short term financial performance. We are of the view that from the Company and the Offeror's perspectives, the Proposal, once implemented, allows them to be free from these constraints and expectations from market and other Shareholders.

The Proposal may also allow the Company and the Offeror to execute the capital expenditure plan more expediently and timely once the Company is no longer listed; not having to be subjected to rules and regulations that govern listed companies. To this end for example, we noted that the Company, over the course of past few months, has had to issue several announcements and issue circulars relating to discloseable or major transactions when the Group made purchase orders for equipment and engage

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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contractors for the construction of cleanroom at the wafer fabrication manufacturing facility. From the Company's perspective, the Proposal entails savings in costs and management resources as well. We note that the above is consistent with the Offeror's statement that it does not have any intention to seek listing of the Company or the Company's existing business in another location.

In summary, the ability of the Company to raise funds from the equity capital markets has become more restricted while sufficient amount of loans from banks/independent parties at reasonable terms are not readily available. It appears the only viable source of funds currently is from the controlling Shareholder. Coupled with the ongoing costs of compliance required of a listed company on the Stock Exchange, we concur that the usefulness of a listed platform for the Company and the Offeror has progressively diminished as one of the purposes of a listing is so that funds can be raised from public shareholders. Overall, the Proposal makes sense from the perspective of the Company and the Offeror.

### From the perspective of the Disinterested Shareholders

From perspective of Disinterested Shareholders, the Proposal represents an opportunity to monetise their Shares at a premium over the prevailing market prices, and in circumstances where the liquidity of the Shares is also generally low which render selling relatively large number of Shares in the market difficult. Given the Group's funding needs for the capital expenditure plan (which is estimated at approximately US\$32 million over the two-year set up period and during the year to-date up to 30 September 2021, US\$16.8 million had been contracted), should the Company continue as a listed company, there will likely be demand for capital contribution from existing Shareholders (including Disinterested Shareholders), such as the Rights Issue. This will not be favourable, in particular, to Disinterested Shareholders who do not have financial resources or who have shorter investment horizon.

We also note that the scale of the capital expenditure plan is significant relative to the existing operational size of the Group, and the setting up of an in-house wafer fabrication manufacturing facility represents a new venture which entails a change in operational dynamics involving execution risk.

From the point of view of the Disinterested Shareholders, we believe one has to balance between (i) retaining a stake in the Company which is undergoing significant capital expenditure plan involving execution risk which may limit short to medium term prospects of Shareholders' investments, as well as high probability of future cash calls; and (ii) receiving immediate cash proceeds from a reasonable Cancellation Price, the amount of which can then be deployed towards other investments. Our analysis on the Cancellation Price can be found in the sections below.

It should also be borne in mind that, unlike a general offer to acquire all or part of a listed company's shares, the Proposal regarding the proposed privatisation by the Offeror is conducted by way of the Scheme. Disinterested Shareholders will not have the opportunity to partially tender to the Offeror their shareholding in the Company. Rather, the Proposal and the Scheme will be effective and binding on the Company and all its Shareholders. As such, Disinterested Shareholders will either have to accept the Proposal at the Cancellation Price for their entire shareholding interests or not accept the Proposal at all.

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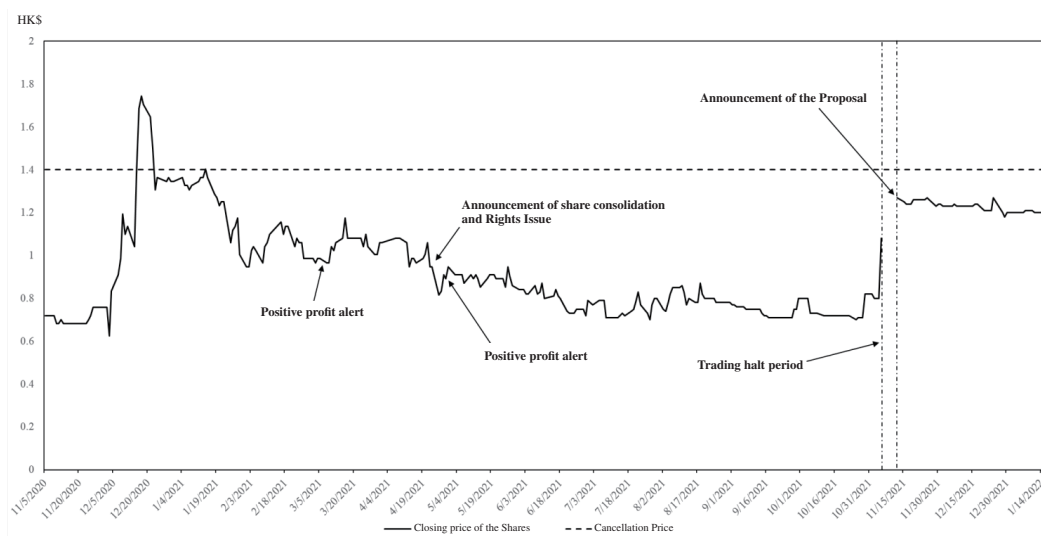
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### 3. The Cancellation Price

The Cancellation Price of HK\$1.40 represents (i) a premium of approximately 29.63% over the closing price of the Shares on the Last Trading Day; (ii) a premium of approximately 62.79% to 86.17% over the average closing prices of the Shares for the 5, 10, 30, 60, 90 and 180 trading days up to and including the Last Trading Day; and (iii) a discount of 5.79% and 8.68% to the consolidated net assets per Share of the Group as at 31 December 2020 and 30 June 2021 respectively. For details of the comparison of the Cancellation Price against the closing prices of the Shares and consolidated net assets per Share of the Group, please refer to the section headed “Terms of the Proposal” under the “Letter from the Board” of the Scheme Document.

#### 3.1. Historical performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 5 November 2020 (being one year prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”). We believe the price performance of Shares during the Review Period can sufficiently and fairly reflect the market perception on the Company’s performance and outlook.



Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

As illustrated from the graph above, since the substantial surge of Share price in December 2020 which we are not aware of any reasons for such unusual movement based on public information and our enquiry with Management, the Share price was in a general downward trend before the announcement of the Proposal despite positive financial results announced during the Review Period. The downward trend appears to have been exacerbated by the announcement and implementation of the Rights Issue, possibly reflecting the general negative market perception towards cash calls on shareholders. Over the Review Period, the highest and lowest closing price of Shares were HK\$1.743 on 17 December 2020 and HK\$0.625 on 3 December 2020 respectively. The average closing price of Shares over the Review Period was approximately HK\$0.966. The Cancellation Price represents a premium of approximately 44.9% over the average closing price of Shares of HK\$0.966 during the Review Period and is higher than most of the trading days during the Review Period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 4. Historical trading liquidity of the Shares

Apart from the Share price analysis above, we have also conducted a review on the trading liquidity of the Shares during the Review Period. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by Disinterested Shareholders.

	Average daily trading volume <i>(Number of Shares)</i>	Approximate% of average daily trading volume to total issued Shares <sup>1</sup>	Approximate% of average daily trading volume to Shares held by Disinterested Shareholders <sup>2</sup>
<b>2020</b>			
November (from 5 November)	2,580	0.0002%	0.0004%
December	405,106	0.0250%	0.0624%
<b>2021</b>			
January	113,288	0.0070%	0.0173%
February	147,162	0.0091%	0.0225%
March	52,893	0.0033%	0.0081%
April	130,863	0.0081%	0.0200%
May	84,981	0.1050%	0.2597%
June	120,381	0.1488%	0.3680%
July	53,381	0.0440%	0.1503%
August	64,000	0.0527%	0.1802%
September	24,888	0.0205%	0.0701%
October	23,139	0.0191%	0.0652%
November (up to the Last Trading Day)	353,302	0.2911%	1.0028%
November (12 to 30 November)	356,182	0.2935%	1.0110%
December	63,818	0.0526%	0.1811%
<b>2022</b>			
January (up to the Latest Practicable Date)	57,917	0.0477%	0.1644%

Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. Based on the total number of issued Shares as at each month end.
2. Based on the total number of issued Shares as at each month end minus the number of Shares held by the Offeror and the Offeror Concert Parties as at each month end.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the above table, before the Proposal was announced on 11 November 2021, the liquidity of Shares was generally low during the Review Period from November 2020 to October 2021 with the percentage of the average daily trading volume to the total number of issued Shares ranging from approximately 0.0002% to 0.1488%, and the percentage of the average daily trading volume to the Shares held by Disinterested Shareholders ranging from approximately 0.0004% to 0.3680%.

Given the percentage of the average daily trading volume to (i) the total number of issued Shares; and (ii) the Shares held by Disinterested Shareholders during the Review Period before November 2021 was less than 0.5%, we consider that the trading volume of the Shares was thin.

Disinterested Shareholders should note that as mentioned above, in the event which the Scheme is not approved or the Proposal 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. In such scenario, Disinterested Shareholders may in the short term only be able to dispose of their Shares on-market. Considering the trading volume of the Shares was thin, Disinterested Shareholders may experience difficulty in disposing their Shares and any sale of a significant number of Shares on the market may result in downward pressure on the market price of the Shares.

From a trading liquidity standpoint, we consider that the Scheme is fair and reasonable as the Scheme provides an assured exit alternative for the Disinterested Shareholders to realise their investments in the Shares at the Cancellation Price of HK\$1.40 per Scheme Share.

### 5. Market comparable analysis

We have also performed market comparable analysis in assessing the fairness and reasonableness of the Cancellation Price. In performing such analysis, we have considered commonly used benchmark ratios for valuation of companies including price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”).

#### *Selection criteria*

In determining our selection criteria for comparable companies, we have taken into consideration that the Company is principally engaged in design, manufacturing and sales of power discrete semiconductors and is listed on the Stock Exchange with market capitalisation of approximately HK\$146.8 million as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have therefore conducted a search of comparable companies based on the criteria including (i) they are listed on the Stock Exchange with market capitalisation of less than HK\$1.0 billion as at the Latest Practicable Date; and (ii) their principal business is in relation to manufacturing and sales of semiconductors or related products within the value chain of the semiconductor industry, with over 60% of revenue derived therefrom during their latest financial year.

The comparable companies are exhaustive and sufficient based on the selection criteria set out above and would serve as a fair and representative sample for the purpose of drawing a meaningful comparison to the Cancellation Price. Set out below are the comparable companies we have identified based on the selection criteria above:

Name	Stock code	Principal business	Market capitalisation as at the Latest Practicable Date (HK\$ million) <i>(Note 1)</i>	P/E Ratio <i>(Note 2)</i>	P/B Ratio <i>(Note 3)</i>
Genes Tech Group Holdings Co. Ltd.	8257	Provision of turnkey solutions for semiconductor manufacturer equipment and parts	177.0	4.4	0.8
Megain Holding Cayman Co. Ltd.	6939	Research, design, development and sales of compatible cartridge chips	638.1	18.2	1.7
Niche-Tech Group Limited	8490	Development, manufacture and sales of the semiconductor packaging materials	222.2	N/A	0.9
QPL International Holdings Ltd.	243	Manufacture and sale of integrated circuit lead frames, heatsinks, stiffeners and related products	74.5	N/A	0.2
Ruixin International Holdings Limited	724	Manufacture and sale of electronic and electrical parts and components	29.4	N/A	N/A
			Average	11.3	0.9
			Median	11.3	0.9
			Maximum	18.2	1.7
			Minimum	4.4	0.2
The Group	8231	Design, manufacturing and sales of power discrete semiconductors	169.9 <i>(Note 4)</i>	33.8 <i>(Note 5)</i>	0.9 <i>(Note 6)</i>

Source: The Stock Exchange website ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

- The market capitalisation of the comparable companies are calculated as the closing price of the shares of the relevant comparable companies as at the Latest Practicable Date multiplies by the number of shares in issue as set out in the latest published monthly return (or next day disclosure return, if applicable) of the relevant comparable companies as at the Latest Practicable Date.

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2. The P/E Ratios of the comparable companies are calculated as the market capitalisation of the comparable companies divided by the profit attributable to shareholders of the relevant comparable companies as published in their latest annual reports. P/E Ratio is not applicable for those companies which recorded net loss during the latest financial year.
3. The P/B Ratios of the comparable companies are calculated as the market capitalisation of the comparable companies divided by the net assets of the relevant comparable companies as published in their latest financial reports. P/B Ratio is not applicable for those companies which had net liability position as at latest period end.
4. The implied market capitalisation of the Group of HK\$169.9 million was calculated as the Cancellation Price of HK\$1.40 per Scheme Share multiplies by the number of Shares in issue as set out in the latest published monthly return (or next day disclosure return, if applicable) of the Company.
5. The implied P/E Ratio of the Group was calculated as the implied market capitalisation described in note 4 above divided by the profit attributable to Shareholders for the year ended 31 December 2020.
6. The implied P/B Ratio of the Group was calculated as the implied market capitalisation of the Group described in note 4 above divided by the net assets of the Group as at 30 June 2021.

### **5.1. P/E Ratio**

As shown in the table above, the P/E Ratios of the comparable companies are in the range of approximately 4.4 times and approximately 18.2 times. The P/E Ratio of the Group as implied by the Cancellation Price is approximately 33.8 times, which is higher than the high-end range of the comparable companies.

### **5.2. P/B Ratio**

As shown in the table above, the P/B Ratios of the comparable companies are in the range of approximately 0.2 times and approximately 1.7 times. The P/B Ratio of the Group as implied by the Cancellation Price is approximately 0.9 times, which is within the range of the comparable companies and close to their average and median.

In view of the above, we consider that the Cancellation Price, from a comparable analysis perspective, is fair and reasonable.

## **6. The Option Offer**

As at the Latest Practicable Date, there are 683,922 outstanding Options granted under the Share Option Scheme which have an exercise price of HK\$3.179.

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. Hence, the Offeror also made an

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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offer to all the Option Holders, whether vested or unvested, in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Under the Option Offer, the Offeror is to 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 is made. Taking into account our analysis that the Cancellation Price is fair and reasonable, we consider the Option Offer at HK\$0.01 per Option to be fair and reasonable so far as the Option Holders are concerned.

### 7. Privatisation precedents

We have considered over 25 past and ongoing transactions involving privatisation of companies listed on the Stock Exchange (“**Privatisation Precedents**”) which had issued shareholder circulars over the period from December 2020 up to the Latest Practicable Date. We are of the view such list is fair and representative for the purpose of our analysis. These Privatisation Precedents involved companies with different principal activities from various industries ranging from real estate development and investments, banking and financial services, food and beverage to manufacturing of consumer and industrial products, which therefore have different market fundamentals and prospects. We noted none of the Privatisation Precedents were in the same or similar industry as the Company. The scale and market capitalisation of the Privatisation Precedents also varied vastly, hence the risk premiums afforded by market would also differ. For the reasons above, we are of the view that comparison analysis with the Privatisation Precedents is not applicable. In addition, these Privatisation Precedents were conducted at periods of different economic and financial market cycles; and depending on the outlook at that point in time, will result in different considerations for their shareholders. Accordingly, we consider the analysis in the sections 1 to 6 above to be more relevant for the Disinterested Shareholders.

### RECOMMENDATION

In summary, we have considered the below factors:

- (a) the operating performance of the Group has been relatively satisfactory despite supply chain disruptions and other factors. The Group’s profits for FY2020 and 9M2021 improved as compared with the previous year/corresponding period primarily due to increased market demand for semiconductors;
- (b) substantial capital investment is however needed for the Group to further vertically integrate and expand its operations to meet the demands from customers;
- (c) the reason why the Proposal makes sense from the perspective of the Offeror and the Company;



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) from the perspective of the Disinterested Shareholders, the execution risks of the capital expenditure plan, possible future cash call on them, and the opportunity to monetise their Shares at a premium over prevailing market prices and reallocate the proceeds into other investments;
- (e) closing price of the Shares has been on a general downward trend during the Review Period before the Joint Announcement;
- (f) the Cancellation Price represents a substantial premium over the closing prices of the Shares during the Review Period and is higher than most of the trading days during the Review Period;
- (g) the liquidity was thin and the trading volume of Shares was low during the Review Period;
- (h) the Cancellation Price is fair and reasonable from a comparable analysis perspective as the implied P/E Ratio of the Company is higher than all of the selected market comparables, while the implied P/B Ratio of the Company is close to the average and median of selected market comparables; and
- (i) the “see-through” price of all outstanding Options is zero and a cash offer of a nominal amount of HK\$0.01 per Option is being made under the Option Offer.

Considering the above, we are of the opinion that the terms of Proposal and the Scheme as well as the Option Offer are fair and reasonable so far as the Disinterested Shareholders and the Option Holders are concerned. We advise the Independent Board Committee to advise (i) the Disinterested Shareholders to vote in favour of the relevant resolution(s) to approve the Scheme at the Court Meeting and the EGM; and (ii) the Option Holders to accept the Option Offer.

**As different Scheme Shareholders or Option Holders would have different investment criteria, objectives or risk appetite and profiles, we recommend any Scheme Shareholders or Option Holders who may require advice in relation to any aspect of the Scheme Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.**

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Chang Sean Pey**  
*Executive Director*

**Simon Kwok**  
*Senior Manager*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Mr. Chang Sean Pey (“**Mr. Chang**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Simon Kwok (“**Mr. Kwok**”) is a Responsible Officer of Altus Capital licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over eight years of experience in financial services industry, including over five years of corporate finance advisory experience in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Kwok is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

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## **EXPLANATORY STATEMENT**

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*This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).*

### **SCHEME OF ARRANGEMENT (UNDER SECTION 86 OF THE COMPANIES ACT) TO CANCEL ALL THE SCHEME SHARES IN EXCHANGE FOR THE CANCELLATION PRICE FOR EACH SCHEME SHARE AND OPTION OFFER**

#### **1. INTRODUCTION**

On 11 November 2021, the Offeror and the Company jointly announced that on 5 November 2021, the Offeror requested the Board to put forward the Proposal to the Scheme Shareholders for the proposed 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.

The Offeror has confirmed in the Joint Announcement that the Cancellation Price will not be increased and that the Offeror did not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

As at the Latest Practicable Date, the Offeror held 85,105,625 Shares, representing approximately 70.1% of the issued share capital of the Company. The Offeror Concert Parties were interested in an aggregate of 598,773 Shares and 426,012 outstanding Options, representing an aggregate of 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 35,648,021 Shares, represent approximately 29.4% of the issued share capital of the Company.

If the Proposal is approved and implemented, 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.

The Offeror is making the Option Offer to the Option Holders to cancel every Option they hold. The Option Offer is conditional upon the Scheme becoming effective.

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## EXPLANATORY STATEMENT

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The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal which is to be implemented by the Scheme and the Option Offer, and to provide the Disinterested Shareholders and the Option Holders with other relevant information in relation to the Scheme and the Option Offer (in particular) to provide the intention of the Offeror with regard to the Group and the shareholding structure of the Company before and after the Scheme and the Proposal.

Particular attention is drawn to (a) a letter from the Board set out on pages 17 to 27 of this Scheme Document; (b) a letter of recommendation from the Independent Board Committee set out on pages 28 to 29 of this Scheme Document; (c) a letter of advice from the Independent Financial Adviser set out on pages 30 to 46 of this Scheme Document; and (d) the terms of the Scheme set out in Appendix III to this Scheme Document.

### 2. THE PROPOSAL

The Proposal will be implemented by way of the Scheme. Under the Scheme, the Scheme Shareholders will receive from the Offeror the Cancellation Price of HK\$1.40 in cash for every Scheme Share as consideration for the cancellation of the Scheme Shares.

As at the Latest Practicable Date, no dividends or distribution declared by the Company were outstanding. The Company does not intend to declare any dividends or distribution on or before the Effective Date.

### 3. THE SCHEME

The Scheme provides that, in consideration of the cancellation of the Scheme Shares, the Scheme Shareholders will be entitled to receive from the Offeror:

HK\$1.40 in cash . . . . . for every Scheme Share

**The Offeror has advised that 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 15.70% over the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on 18 January 2022, being the Latest Practicable Date;
- (ii) 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;
- (iii) 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 Last Trading Day;

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## EXPLANATORY STATEMENT

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- (iv) 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;
- (v) 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;
- (vi) 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;
- (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 60 trading days up to and including the Last Trading Day of approximately HK\$0.763 per Share;
- (viii) 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;
- (ix) 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;
- (x) 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
- (xi) 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.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.27 on 12, 25 November and 24 December 2021 respectively and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.700 on 27 July and 25 October 2021 respectively.

### **Option Offer**

As at the Latest Practicable Date, there were 683,922 outstanding Options granted under the Share Option Scheme with an exercise price of HK\$3.179.

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## EXPLANATORY STATEMENT

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The Option Offer is conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror is offering 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.

As at the Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date).

The Option Offer Letter setting out the terms and conditions of the Option Offer, substantially in the form set out in Appendix VI to this Scheme Document is being despatched separately to the Option Holders pursuant to which an appropriate offer is made by the Offeror to the Option Holders to cancel every Option they hold in accordance with Rule 13 of the Takeovers Code. The Option Offer is conditional upon the Scheme becoming effective.

Further information on the Option Offer is contained in the Option Offer Letter. The Option Offer is extended to all Options in issue on the date on which the Option Offer is made.

#### **4. TOTAL CONSIDERATION AND FINANCIAL RESOURCES**

As at the Latest Practicable Date, 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.

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## EXPLANATORY STATEMENT

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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.

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.

### 5. CONDITIONS OF THE PROPOSAL

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:

- (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) (i) 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 EGM 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 EGM 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;

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## EXPLANATORY STATEMENT

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- (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 Announcement Date, 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.



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## EXPLANATORY STATEMENT

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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 Latest Practicable Date.

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 Latest Practicable Date, 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 EGM.

As at the Latest Practicable Date, 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.**

### **6. SHAREHOLDING STRUCTURE OF THE COMPANY AND EFFECT OF THE PROPOSAL AND THE SCHEME**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.2 each, and the Company had 121,352,419 Shares in issue.

As at the Latest Practicable Date, 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 598,773 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 35,648,021 Shares, represent approximately 29.4% of the issued share capital of the Company.

## EXPLANATORY STATEMENT

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date		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	–	–
Ms. Li (Note 5)	10,000	–	10,000	–	–	–
Subtotal	598,773	0.5	1,024,785	0.8	–	–
<b>Aggregate number of Shares held by the Offeror and Offeror Concert Parties</b>	<b>85,704,398</b>	<b>70.6</b>	<b>86,130,410</b>	<b>70.6</b>	<b>122,036,341</b>	<b>100</b>
<b>Disinterested Shareholders:</b>						
Other Scheme Shareholders	35,648,021	29.4	35,905,931	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 6)</b>	<b>36,246,794</b>		<b>36,930,716</b>			

Notes:

- 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.
- 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.
- Mr. Chow is an executive Director and one of the directors of the Offeror, and a Scheme Shareholder.
- 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.
- Ms. Li is a person presumed to be acting in concert with the Offeror by virtue of her position as a director of Shell Holdings. The Offeror is an indirect wholly-owned subsidiary of Shell Holdings.
- Scheme Shares comprise Share(s) other than those held by the Offeror.

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## EXPLANATORY STATEMENT

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7. 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 in accordance with Rule 9.23(2) of the GEM Listing Rules, the Offeror will hold 100% of the issued share capital of the Company.

### **7. SCHEME OF ARRANGEMENT UNDER SECTION 86 OF THE COMPANIES ACT AND THE COURT MEETING**

Pursuant to Section 86 of the Companies Act, where an arrangement is proposed between a company and its members or any class of them, the Grand Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Grand Court directs.

It is expressly provided in Section 86 of the Companies Act that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Grand Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Grand Court, be binding on all members or class of members, as the case may be, and also on the company. For the avoidance of doubt, the Grand Court will be ordering a meeting of a class of members being the Disinterested Shareholders.

In accordance with the Companies Act, the "75% in value" requirement as described above will be met if the total value of Disinterested Scheme Shares being voted by the Disinterested Shareholders present and voting either in person or by proxy in favour of the Scheme is not less than 75% of the total value of the Disinterested Scheme Shares voted by the Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting. In accordance with the Companies Act, the "majority in number" requirement as described above will be met if the number of Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting in favour of the Scheme exceeds the number of Disinterested Shareholders present and voting either in person or by proxy at the Court Meeting against the Scheme.

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## **EXPLANATORY STATEMENT**

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In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with instructions received by it from CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Disinterested Shareholders approve the Scheme under Section 86(2) of the Companies Act has been satisfied. Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme.

### **8. ADDITIONAL REQUIREMENTS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE**

In addition to satisfying any requirements under the Companies Act as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the Disinterested Scheme Shares held by the Disinterested Shareholders that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by way of 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 the Disinterested Scheme Shares held by all the Disinterested Shareholders.

### **9. BINDING EFFECT OF THE SCHEME**

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and/or EGM.

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## EXPLANATORY STATEMENT

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Pursuant to Rule 2.3 of the Takeovers Code, if the Proposal is either not recommended by the Independent Board Committee or not recommended as fair and reasonable by the Independent Financial Adviser, all expenses incurred by the Company in connection with the Proposal shall be borne by the Offeror if the Scheme is not approved. Given that the Proposal is recommended by the Independent Board Committee and is recommended as fair and reasonable by the Independent Financial Adviser, the Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror and the Company equally.

### 10. REASONS FOR AND BENEFITS OF THE PROPOSAL

(i) **The Proposal will allow the Company more freedom for implementing its long-term growth strategy**

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 own branded MOSFET products.

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.

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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.

**(ii) 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 Announcement Date. 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.

**(iii) 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.

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## **EXPLANATORY STATEMENT**

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### **(iv) 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.

### **11. INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY**

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 Latest Practicable Date, 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.

### **12. 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.

### **13. INFORMATION ABOUT THE OFFEROR AND THE OFFEROR CONCERT PARTIES**

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 Latest Practicable Date, the Offeror is wholly-owned by Sybond Venture Limited which in turn is directly wholly-owned by Shell Holdings.



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Shell Holdings is an unlisted public company incorporated in Bermuda with limited liability and as at the Latest Practicable Date, is held as to approximately 80.55% by Red Dynasty Investments Limited which is beneficially and wholly-owned by Mr. Yung. As at the Latest Practicable Date, 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 Latest Practicable Date, 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 Shell Holdings, Red Dynasty Investments Limited had not engaged in any material business activities.



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## EXPLANATORY STATEMENT

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Mr. Yung (翁國基), aged 68, 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.

### 14. INFORMATION ABOUT THE GROUP

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange with the stock code 8231. The Group is principally engaged in design, manufacturing and sales of its own branded power discrete semiconductors namely Schottky and MOSFET.

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 Latest Practicable Date, the Company has no intention to make, declare or pay any future dividend/distribution until after completion of the Proposal and the Scheme.

Your attention is drawn to “Appendix I – Financial information relating to the Group” and “Appendix II – General information” of this Scheme Document.

### 15. WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and extinguished and the share certificates in respect of 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 in accordance with Rule 9.23(2) of the GEM Listing Rules immediately following the Scheme becoming effective. A detailed timetable of the Scheme is set out in the section headed “Expected Timetable” on pages 14 to 16 of this Scheme Document.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on GEM of the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on GEM of the Stock Exchange will become effective.

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## EXPLANATORY STATEMENT

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### 16. REGISTRATION AND PAYMENT

Assuming that the Scheme Record Date falls on Wednesday, 23 March 2022, it is proposed that the register of members of the Company will be closed from Friday, 4 March 2022 (or such other date as Shareholders may be notified by an announcement) onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of Shares to them are lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Thursday, 3 March 2022.

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme Record Date for each Scheme Share as soon as possible but in any event within seven (7) Business Days following the Effective Date. On the basis that the Scheme becomes effective on Wednesday, 23 March 2022 (Cayman Islands time), the cheques for the payment of the Cancellation Price are expected to be despatched on or before Friday, 1 April 2022.

Cheques for the payment of the Cancellation Price will be sent by ordinary post addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name then stands first in the register of members of the Company in respect of the joint holding. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Company, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal will be responsible for any loss or delay in transmission.

On or after the day being six (6) calendar months after the posting of such cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six (6) years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six (6) years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

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## **EXPLANATORY STATEMENT**

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Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates for the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Wednesday, 23 March 2022 (Cayman Islands time).

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

### **17. OVERSEAS SHAREHOLDERS AND OPTION HOLDERS**

This Scheme Document has been prepared for the purposes of complying with the laws of the Cayman Islands, the laws of Hong Kong, the Takeovers Code and the GEM Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong or the Cayman Islands.

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. 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 overseas 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.

As at the Latest Practicable Date, there were five Shareholders and 12 Option Holders in Taiwan and one Shareholder in Canada whose addresses were outside Hong Kong. The Company has been advised by the local counsel in the above jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme automatically or despatching this Scheme Document to those overseas Shareholders and overseas Option Holders. The Scheme will be extended and this Scheme Document will be despatched to those overseas Shareholders and overseas Option Holders. There is also no restriction against the overseas Shareholders exercising their right to vote on the Scheme at the Court Meeting.

### **18. TAXATION AND INDEPENDENT ADVICE**

As the cancellation of the Scheme Shares upon the Scheme becoming effective does not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong, in this respect.

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## EXPLANATORY STATEMENT

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Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal and, in particular, whether the receipt of the Cancellation Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company and Somerley 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.

### **19. COURT MEETING AND EGM**

The Company will apply to the Grand Court for an order that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). The Scheme will be subject to the approval by the Disinterested Shareholders, whose names appear in the register of members of the Company as at the Scheme Court Meeting Record Date, at the Court Meeting in the manner referred to in the section headed “Conditions of the Proposal” above in this Explanatory Statement.

As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties hold in aggregate 85,704,398 Shares and 426,012 outstanding Options, representing approximately 70.6% of the issued share capital of the Company. Such Shares and Option Shares if exercised 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 have undertaken 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 EGM 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 as a result of the Scheme; 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 have undertaken 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 EGM.

Notice of the Court Meeting is set out in Appendix IV to this Scheme Document. The Court Meeting will be held at 9:00 a.m. on Wednesday, 16 February 2022 at the time and place specified in the notice.

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## EXPLANATORY STATEMENT

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Notice of the EGM is set out in Appendix V to this Scheme Document. The EGM will be held at the same place and on the same date at 10:00 a.m. or immediately after the conclusion or adjournment of the Court Meeting.

Please refer to the section headed “Actions to be taken” of this Scheme Document on pages 1 to 6 of this Scheme Document for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to safeguard the health and safety of all attendees at the Court Meeting and the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the Court Meeting and the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting and/or the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting and/or the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

### 20. ACTIONS TO BE TAKEN

#### Actions to be taken by Shareholders

For the purpose of determining the entitlements of the Disinterested Shareholders to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and/or the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong before 4:30 p.m. on Thursday, 10 February 2022.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with this Scheme Document.

The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the Disinterested Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM. **This book close period is not for determining entitlements under the Scheme.**

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## EXPLANATORY STATEMENT

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Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a Disinterested Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them with the Share Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting (i.e. 9:00 a.m. on Monday, 14 February 2022) or any adjournment thereof or handed to the chairman of the Court Meeting at the Court Meeting (who shall have absolute discretion whether or not to accept it), and the white form of proxy for use at the EGM should be lodged no later than 48 hours before the time appointed for holding the EGM (i.e. 10:00 a.m. on Monday, 14 February 2022) or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your form of proxy, the returned form of proxy will be deemed to have been revoked.

If a Shareholder appoints a person (be that he is the chairman of the Court Meeting and/or the EGM, or any other person) to vote by proxy, his vote by proxy shall be counted as one vote for the purpose of determining whether the requirements under Section 86 of the Companies Act are satisfied.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll in accordance with the articles of association of the Company and as required under the GEM Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Grand Court, the Effective Date and the date of withdrawal of listing of the Shares from GEM of the Stock Exchange in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

### **Actions to be taken by beneficial owners whose shares are held by a registered owner or deposited in CCASS**

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depository or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

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## EXPLANATORY STATEMENT

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If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked.

**If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS Participant regarding voting instructions to be given to such persons, if you wish to vote at the Court Meeting and/or the EGM in respect of the Proposal, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to attend and vote at the Court Meeting and/or the EGM.** The procedure for voting in respect of the Proposal by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with “An Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such person with sufficient time to provide HKSCC Nominees with instructions in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM.



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## EXPLANATORY STATEMENT

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If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a Disinterested Shareholder) and the EGM (as a Shareholder). You can become a Shareholder of record by withdrawing your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary.

You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and/or the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

In accordance with the direction from the Grand Court, HKSCC Nominees shall be permitted to vote once for and once against the Scheme in accordance with the instructions received from the CCASS Participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme has been satisfied. Thus, (i) if HKSCC Nominees receives instructions to vote for the Scheme and instructions to vote against the Scheme, it shall vote once for and once against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme and as one Shareholder under the votes “against” the Scheme; (ii) if HKSCC Nominees only receives instructions to vote for the Scheme, it shall vote once for the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “for” the Scheme; and (iii) if HKSCC Nominees only receives instructions to vote against the Scheme, it shall vote against the Scheme in accordance with such instructions, and be counted as one Shareholder under the votes “against” the Scheme. The number of votes cast in favour of the Scheme and the number of CCASS Participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS Participants on whose instructions they are cast will be disclosed to the Grand Court and may be taken into account in deciding whether or not the Grand Court should exercise its discretion to sanction the Scheme. Only Shareholders whose Shares are registered in their own names in the register of members of the Company on the Meeting Record Date will be counted as members of the Company for the purpose of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act. Beneficial Owners who wish to individually vote or be individually counted for purposes of calculating whether or not a majority in number of members of the Company have approved the Scheme at the Court Meeting under Section 86 of the Companies Act should make the appropriate arrangements with the Registered Owner or their broker, custodian, nominee or any other authorised third party, or alternatively to arrange for some or all of such Shares registered under the Registered Owner to be transferred into their own name.



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## EXPLANATORY STATEMENT

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### **Actions to be taken by the Option Holders**

The Option Offer Letter is being sent to each Option Holder, together with this document and a Form of Acceptance. If you are an Option Holder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Company at its principal office (being 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong), for the attention of the company secretary of the Company and marked “PFC Device Inc. — Option Offer”, by no later than 4:00 p.m. on Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Options or any other document will be given.

The Option Offer Price will be payable in cash by the Offeror subject to the terms and conditions of your Options. In return, all rights and obligations under your Options will be immediately cancelled by the Offeror and the Company upon your acceptance. All Option Holders must lodge the duly completed and executed Form of Acceptance as mentioned above at or before 4:00 p.m. on Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).

The Option Offer is extended to all Options in issue on the date on which the Option Offer is made. Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not so exercised will lapse upon the Scheme being effective.

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix VI to this document.

### **EXERCISE YOUR RIGHT TO VOTE**

**IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.**

**IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, YOU SHOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.**

**IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.**

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## **EXPLANATORY STATEMENT**

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### **21. RECOMMENDATIONS**

Your attention is drawn to the following:

- (a) the section headed “Recommendations” in the letter from the Board of this Scheme Document;
- (b) the letter from the Independent Board Committee set out in this Scheme Document; and
- (c) the letter from Independent Financial Adviser set out in this Scheme Document.

### **22. FURTHER INFORMATION**

Further information in relation to the Proposal is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, Somerley, the Independent Financial Adviser and the Share Registrar and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal have authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

### **23. LANGUAGE**

In case of any inconsistency, the English language text of this Scheme Document and the accompanying forms of proxy shall prevail over the Chinese language text.

## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

### 1. FINANCIAL SUMMARY OF THE GROUP

Set out below is a summary of the audited consolidated financial information of the Group for each of the three years ended 31 December 2018, 31 December 2019 and 31 December 2020 (as extracted from the annual reports of the Company for the year ended 31 December 2020) and the unaudited consolidated financial information of the Group for the nine months ended 30 September 2020 and 30 September 2021 (as extracted from the Company's third quarterly report for the nine months ended 30 September 2021):

#### Summary of the Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the nine months ended 30 September 2021	For the six months ended 30 June 2021	For the year ended 31 December		
	US\$'000 (unaudited)	US\$'000 (unaudited)	2020 US\$'000 (audited)	2019 US\$'000 (audited)	2018 US\$'000 (audited)
<b>REVENUE</b>	18,600	11,709	21,098	17,997	23,354
Cost of sales	(14,507)	(9,160)	(16,194)	(15,398)	(19,098)
<b>GROSS PROFIT</b>	4,093	2,549	4,904	2,599	4,256
Other income	345	55	162	20	277
Selling and distribution expenses	(132)	(85)	(175)	(124)	(132)
Administrative expenses	(2,892)	(1,807)	(3,525)	(3,533)	(4,392)
Other operating expenses	(165)	(76)	(314)	(227)	(181)
Impairment loss on goodwill	-	-	-	-	(563)
Impairment loss on property, plant and equipment	-	-	-	-	(442)
Finance costs	(5)	(3)	(8)	(38)	(3)
Other gains/(losses)	46	5	(375)	(12)	113
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>	1,290	638	669	(1,315)	(1,067)
Income tax expense	(90)	(71)	(23)	(110)	(23)
<b>PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	1,200	567	646	(1,425)	(1,090)
<b>OTHER COMPREHENSIVE INCOME ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>					
Exchange difference arising from translation of overseas operations	121	185	1,192	(162)	(923)
Total comprehensive income for the year/ period	1,321	752	1,838	(1,587)	(2,013)

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>	<i>US cents</i>
<b>EARNINGS PER SHARE</b>					
Basic	1.244 <i>(Note 1)</i>	0.701 <i>(Note 2)</i>	0.040	(0.088)	(0.068)
Diluted	1.244 <i>(Note 1)</i>	0.673 <i>(Note 1)</i>	0.040	(0.088)	(0.068)

*Notes:*

1. Such figures, which were extracted from the Company's interim report for the six months ended 30 June 2021 and third quarterly report for the nine months ended 30 September 2021 respectively, were calculated after taking into account effects arising from the share consolidation and Rights Issue which took place on 27 May 2021 and 2 July 2021 respectively and as such, may not be directly comparable with the earnings per Share for each of the previous three financial years which had not been restated and were extracted directly from the corresponding annual reports.
2. Such figure, which was extracted from the Company's interim report for the six months ended 30 June 2021, was calculated after taking into account effects arising from the share consolidation which took place on 27 May 2021 and as such, may not be directly comparable with the earnings per Share for each of the previous three financial years which had not been restated and were extracted directly from the corresponding annual reports.

There was no dividend declared during each of the three years ended 31 December 2018, 2019 and 2020 nor any interim dividend for the nine months ended 30 September 2021.

The auditor's reports issued by BDO Limited in respect of the Group's audited consolidated financial statements for each of the three years ended 31 December 2018, 2019 and 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

## **2. CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the "**2018 Financial Statements**") are set out on pages 62 to 155 of the annual report of the Company for the year ended 31 December 2018 (the "**2018 Annual Report**"), which was published on 28 March 2019. The 2018 Annual Report is posted on the websites of the Company (<http://www.pfc-device.com/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2018 Annual Report:

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

The audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**2019 Financial Statements**") are set out on pages 40 to 95 of the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), which was published on 27 March 2020. The 2019 Annual Report is posted on the websites of the Company (<http://www.pfc-device.com/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2019 Annual Report:

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

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## APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) are set out on pages 49 to 99 of the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 29 March 2021. The 2020 Annual Report is posted on the websites of the Company (<http://www.pfc-device.com/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2020 Annual Report:

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

The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Statements**”) are set out on pages 3 to 19 of the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), which was published on 12 August 2021. The 2021 Interim Report is posted on the websites of the Company (<http://www.pfc-device.com/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2021 Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0812/2021081200802.pdf>

The unaudited consolidated interim financial statements of the Group for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Financial Statements**”) are set out on pages 2 to 10 of the third quarterly report of the Company for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Report**”), which was published on 11 November 2021. The 2021 Third Quarterly Report is posted on the websites of the Company (<http://www.pfc-device.com/>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Please also see below a direct link to the 2021 Third Quarterly Report:

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/1111/2021111100495.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements, the 2021 Interim Financial Statements and the 2021 Third Quarterly Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report, the 2020 Annual Report, the 2021 Interim Report and the 2021 Third Quarterly Report in which they respectively appear) are incorporated by reference into this document and form part of this Scheme Document.

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**APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP**

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**3. INDEBTEDNESS STATEMENT**

As at 31 October 2021, being the latest practicable date of this indebtedness statement prior to the publication of this document, the Group had total indebtedness as summarised below:

	<b>As at 31 October 2021 USD</b>
<b>Amount due to fellow subsidiaries</b>	280,671
<b>Lease liabilities</b>	<u>40,153</u>
<b>Total indebtedness</b>	<u><u>320,824</u></u>

The outstanding indebtedness as at 31 October 2021 were primarily denominated in Taiwan dollar and Renminbi.

**Amounts due to fellow subsidiaries**

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

**Lease liabilities**

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

Save as disclosed above, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group had no other material contingent liabilities or outstanding charges loan capital issued and outstanding or agreed to be issued, bank loans and overdraft or other similar indebtedness as at the close of business on 31 October 2021.

#### 4. MATERIAL CHANGE

The Directors confirmed that, save and except for the following, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

- i. As disclosed in the third quarterly report of the Company for the nine months ended 30 September 2021 (the “**2021 Third Quarterly Report**”), the revenue of the Group for the nine months ended 30 September 2021 (“**9M2021**”) increased by approximately US\$3.3 million or approximately 21.6% as compared with the nine months ended 30 September 2020 (“**9M2020**”), which was mainly due to the strong demand for semiconductors, resulting in an increase in sales volume.
- ii. As disclosed in the 2021 Third Quarterly Report, the net profit of the Company for 9M2021 increased by approximately US\$0.3 million or approximately 40.4% as compared with 9M2020 mainly due to the increase in gross profit. The increase in gross profit was mainly attributable to the increase in revenue as discussed above, offset by the higher manufacturing costs due to the rental of power generators to minimise production disruption caused by power shortage in China during 9M2021 as well as the higher wafer fabrication and raw material prices.
- iii. On 2 July 2021, the Company issued 40,450,806 ordinary shares (after the share consolidation became effective on 27 May 2021) upon completion of the rights issue to the qualifying shareholders on the basis of one rights share for every two consolidated shares held on the record date at a subscription price of HK\$0.80 per rights share. The net proceeds raised from the rights issue were approximately HK\$31.2 million (equivalent to approximately US\$4.0 million).
- iv. As disclosed in the announcements of the Company dated 23 September 2021, 4 November 2021 and 14 December 2021, the Company had entered into purchase orders with several independent third parties for the purchase of wafer fabrication equipment and semiconductor packaging and/or assembly equipment at a total sum of consideration of over US\$20 million. The Company had also entered into a construction contract with an independent third party on 23 September 2021 in relation to the construction of a cleanroom situated at the wafer fabrication manufacturing facility at the Group’s factory in Shunde, the PRC for a total contract sum of RMB9,980,000 (equivalent to approximately HK\$11,976,000) (inclusive of applicable value-added tax rate).

**1. RESPONSIBILITY STATEMENTS**

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Proposal, the Offeror and the Group.

The issue of this Scheme Document has been approved by the Offeror Directors. The directors of the Offeror, Sybond Venture Limited, Shell Holdings and Red Dynasty Investment Limited jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document the omission of which would make any statements in this Scheme Document misleading.

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

**2. SHARE CAPITAL**

As at the Latest Practicable Date:

- (a) the authorised share capital of the Company was HK\$38,000,000 divided into 190,000,000 Shares at a par value of HK\$0.20 each;
- (b) the Company had 121,352,419 Shares in issue;
- (c) all of the issued Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital;
- (d) save for the Rights Issue, no new Shares had been issued since 31 December 2020, being the end of the last financial year of the Company; and
- (e) save for the 683,922 Options, there were no outstanding options, warrants derivatives or other convertible securities which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.



### 3. MARKET PRICES

The table below sets forth the closing price of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the Last Trading Day; and (iii) at the last trading day of each calendar month during the Relevant Period:

	Closing price per Share HK\$
31 May 2021	0.84
30 June 2021	0.79
31 July 2021	0.80
31 August 2021	0.78
30 September 2021	0.80
31 October 2021	0.82
5 November 2021 (being the Last Trading Day)	1.08
30 November 2021	1.24
31 December 2021	1.20
18 January 2022 (being the Latest Practicable Date)	1.21

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.27 per Share on 12, 25 November and 24 December 2021 respectively and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.700 per Share on 27 July and 25 October 2021 respectively.

The Cancellation Price of HK\$1.40 per Scheme Share represents a premium of approximately 15.70% over the closing price of HK\$1.21 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

### 4. DISCLOSURE OF INTERESTS IN THE SHARES

#### (a) Directors' interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and underlying Shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code"), or as required to be disclosed under the Takeovers Code, were as follows:

*Long positions in the Shares, underlying Shares and debentures of the Company*

Name of Director	Beneficial owner	Interest in controlled corporation	Number of Shares held as		Total interest	Approximate percentage of shareholding
			Number of underlying Shares held/ interested in			
Mr. Yung	–	85,105,625 (Note 1)	–		85,105,625	70.1%
Mr. Hong	453,582	–	280,692 (Note 2)		734,274	0.61%
Mr. Chow	135,191	–	–		135,191	0.11%
Mr. Tang	–	–	145,320 (Note 3)		145,320	0.12%

*Notes:*

- (1) Mr. Yung is interested in 100% of the issued share capital of Red Dynasty Investments Limited. Red Dynasty Investments Limited holds 80.55% interest in Shell Holdings. Lotus Atlantic Limited is wholly and beneficially owned by Sybond Venture Limited, and Sybond Venture Limited is a wholly and beneficially owned by Shell Holdings. Mr. Yung is therefore deemed to be interested in 85,105,625 Shares held by Lotus Atlantic Limited which is an indirect wholly-owned subsidiary of Shell Holdings for the purpose of the SFO.
- (2) These underlying Shares represent 280,692 Shares to be issued upon exercise of the Options granted to Mr. Hong on 22 March 2017 pursuant to the Share Option Scheme.
- (3) These underlying Shares represent 145,320 Shares to be issued upon exercise of the Options granted to Mr. Tang on 22 March 2017 pursuant to the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associate(s) had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, or as required to be disclosed under the Takeovers Code.

Mr. Hong and Mr. Tang have indicated that they intend to accept the Option Offer in respect of their holdings of outstanding Options and will not exercise such Options during the offer period.

As at the Latest Practicable Date, neither the Company nor the Directors had borrowed or lent, save for any borrowed Shares which have been either on-lent or sold, any shareholding in the Company.

As at the Latest Practicable Date, Mr. Yung, Mr. Hong, Mr. Chow and Mr. Tang, have not participated in any vote and will continue to abstain from voting at meetings of the Board in relation to the Proposal given his material interest in the Proposal.

**(b) Interests and short positions of other substantial Shareholders in Shares and underlying Shares**

As at the Latest Practicable Date, Shareholders (other than the interest disclosed above in respect of the Directors or the chief executives of the Company) who had interests and short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

*Long positions in the Shares, underlying Shares and debentures of the Company*

<b>Name of Shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of shareholding</b>
Offeror	Beneficial owner	85,105,625 <i>(Note 1)</i>	70.1%
Sybond Venture Limited	Interest of a controlled corporation	85,105,625 <i>(Note 1)</i>	70.1%
Shell Holdings	Interest of a controlled corporation	85,105,625 <i>(Note 1)</i>	70.1%
Red Dynasty Investments Limited	Interest of a controlled corporation	85,105,625 <i>(Note 1)</i>	70.1%
Mr. Yung	Interest in a controlled corporation	85,105,625 <i>(Note 1)</i>	70.1%
Ms. Vivian Hsu	Interest of spouse	85,105,625 <i>(Note 2)</i>	70.1%

*Notes:*

1. The Offeror is an indirectly wholly-owned subsidiary of Shell Holdings, which is owned as to approximately 80.55% by Red Dynasty Investments Limited. Mr. Yung is interested in 100% of the issued share capital of Red Dynasty Investments Limited.
2. These Shares represent the interest held by the Offeror which is a controlled corporation of Mr. Yung. Ms. Vivian Hsu is the spouse of Mr. Yung. Under the SFO, Mr. Yung is deemed to be interested in all of the Shares owned by the Offeror and Ms. Vivian Hsu is deemed to be interested in all the Shares in which Mr. Yung is interested.

Save as disclosed above, as at the Latest Practicable Date, there was no person (other than the interest disclosed above in respect of the Director or the chief executive of the Company) who (i) had an interest or short position in the Shares and underlying Shares of the Company which (a) would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were required, pursuant to Section 336 of the SFO, to be entered in the register referred therein; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any party acting in concert with the Offeror.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other associate of the Offeror under the Takeovers Code.

As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.

As at the Latest Practicable Date, there is no agreement, arrangement for or understanding for any transfer, charge or pledge of the Shares acquired pursuant to the Scheme to any other person.

As at the Latest Practicable Date and during the Relevant Period, the Offeror and any party acting in concert with it had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

## 5. DEALINGS IN THE SHARES

(a) During the Relevant Period:

- (i) save for the Rights Issue and save as disclosed below, none of the Directors, the Offeror, the Offeror Directors and the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and

Name	Date of transaction	Purchase/ Sale	Number of shares involved	Price per share (HK\$)
Ms. Li <sup>(Note 1)</sup>	12 November 2021	Purchase	10,000	1.2500

*Note:*

- Ms. Li is a person presumed to be acting in concert with the Offeror by virtue of her position as a director at Shell Holdings. The Offeror is an indirect wholly-owned subsidiary of Shell Holdings.
- (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

- (b) During the period commencing on the Announcement Date and ending on the Latest Practicable Date:
- (i) none of (a) the subsidiaries of the Company; (b) the pension fund(s) of the Company or any of its subsidiaries; (c) the person(s) who is/are presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code; and (d) the person(s) who is/are an associate of the offeree company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
  - (ii) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
  - (iii) no fund managers (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

## **6. DISCLOSURE OF INTERESTS IN THE SHARES OF THE OFFEROR**

As at the Latest Practicable Date, save as disclosed in the paragraph headed “Information about the Offeror and the Offeror Concert Parties” in the Explanatory Statement of this Scheme Document, none of the Company or any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

## **7. DEALINGS IN THE SHARES OF THE OFFEROR**

During the Relevant Period, none of the Company nor the Directors had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

**8. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL**

As at the Latest Practicable Date:

- (a) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, the Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal;
- (c) save for the conditions disclosed in the section headed “Conditions of the Proposal” above in the Explanatory Statement of this Scheme Document, there was no agreement or arrangement to which the Offeror is a party which related to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (d) no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or any of the Offeror Concert Parties; and
- (e) there were no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (i) any Shareholder; and (ii) (a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies.

**9. ARRANGEMENTS AFFECTING THE DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement or arrangement between any Director and any other person which are conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

## 10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies: (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

## 11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened by or against any member of the Group.

## 12. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within the two years before the Announcement Date up to and including the Latest Practicable Date:

- (a) During the period from 22 March 2021 to 23 September 2021, PFC Device (HK) Limited (“**PFC Device (HK)**”), an indirect wholly-owned subsidiary of the Company, entered into purchase orders (the “**Main-you Purchase Orders**”) with Main-You Technology Company (“**Main-you**”), for the purchases of wafer fabrication equipment at an aggregate consideration of approximately US\$9.4 million (equivalent to approximately HK\$73.5 million). The principal terms of each of the Main-you Purchase Orders are set out as follows:

No.	Date of purchase order	Name of equipment	Consideration (US\$'000)	Settlement terms
1	22 March 2021	Photo Stepper (NSR-2205i12D)	2,575	60% of the consideration as deposit; and the remaining 40% of the consideration to be paid upon delivery
2	3 May 2021	Ion Implanter (AMAT XR80 LEAP II)	1,980	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

No.	Date of purchase order	Name of equipment	Consideration (US\$'000)	Settlement terms
3	15 June 2021	Metal Deposition (AMAT/P5000 SACVD)	1,550	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
4	18 June 2021	Metal Deposition (AMAT/P5000 PECVD)	1,280	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
5	8 July 2021	Rapid Thermal Oxidation System (AG 8810 before metal)	840	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
6	8 July 2021	Rapid Thermal Annealing System (AG 8810 after metal)	680	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
7	23 September 2021	Control Rack (Nikon I12D)	515	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

Pursuant to the settlement terms of each of the Main-you Purchase Orders, the Group made non-refundable deposits to Main-you, which are on normal commercial terms, without any interest or collateral. As at the Latest Practicable Date, the aggregate amount of deposits made to Main-you was approximately US\$4.7 million (equivalent to approximately HK\$36.7 million).



- (b) On 26 May 2021 and 31 May 2021, PFC Device (HK) entered into purchase orders (the “**Changxing Purchase Orders**”) with Changxing International System Co., Ltd., for the purchases of wafer fabrication equipment at an aggregate consideration of approximately US\$3.1 million (equivalent to approximately HK\$23.8 million). The principal terms of each of the Changxing Purchase Orders are set out as follows:

No.	Date of purchase order	Name of equipment	Consideration (US\$'000)	Settlement terms
1	26 May 2021	Metal Etcher (Metal and Nitride etching)	1,650	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
2	31 May 2021	Metal Etcher (Oxide and Poly etching)	1,400	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

- (c) On 29 July 2021, PFC Device (HK) entered into purchase orders (the “**Handy Purchase Orders**”) with Handy Applied Technology Co. Ltd., for the purchases of wafer fabrication equipment at an aggregate consideration of approximately US\$1.1 million (equivalent to approximately HK\$8.5 million). The principal terms of each of the Handy Purchase Orders are set out as follows:

No.	Date of purchase order	Name of equipment	Consideration (US\$'000)	Settlement terms
1	29 July 2021	Asher (Gasonic L3510 before metal)	549	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
2	29 July 2021	Asher (Gasonic L3510 after metal)	546	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

- (d) During the period from 14 September 2020 to 3 July 2021, 廣東普福斯節能元件有限公司 (Guangdong PFC Device Limited\*) (“**PFC Device (GD)**”), an indirect wholly-owned subsidiary of the Company, entered into purchase orders (the “**Lishun Purchase Orders**”) with Lishun Technology HK Limited (“**Lishun (HK)**”) and 深圳市佳利順貿易有限公司 (Shenzhen Jialishun Trading Company Limited\*) (“**Lishun (SZ)**”), for the purchases of semiconductor packaging and/or assembly equipment at an aggregate consideration of approximately HK\$9.7 million. The principal terms of each of the Lishun Purchase Orders are set out as follows:

No.	Date of purchase order	Name of equipment	Consideration	Settlement terms
1#	14 September 2020	Tester (Azur Xi805)	RMB390,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
2	29 October 2020	DFN5x6 Mold Trim Conversion Kit	US\$162,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
3	2 November 2020	DFN5x6 Mold Conversion Kit	US\$148,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
4	11 December 2020	Die Bonder (ASM SD832D)	US\$179,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
5	11 December 2020	Die Bonder (ASM SD832D)	US\$179,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

No.	Date of purchase order	Name of equipment	Consideration	Settlement terms
6	11 December 2020	Wire Bonder (ASM Hercules)	US\$370,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
7	22 June 2021	DFN5x6 Clip Conversion Kit	US\$43,000	30% of the consideration as deposit; 60% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
8 <sup>#</sup>	3 July 2021	Wire Bonder (K&S)	RMB630,000	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

<sup>#</sup> These purchase orders were entered into by the Group with Lishun (SZ) and the remaining six were entered into by the Group with Lishun (HK).

- (e) On 23 September 2021, PFC Device (HK) entered into purchase orders (the “**You-yang Purchase Orders**”) with You-yang Bio-tech Co., Ltd., for the purchases of wafer fabrication equipment at an aggregate consideration of approximately US\$1.7 million (equivalent to approximately HK\$13.1 million). The principal terms of each of the You-yang Purchase Orders are set out as follows:

No.	Date of purchase order	Name of equipment	Consideration (US\$'000)	Settlement terms
1	23 September 2021	WET Bench (RCA cleaner)	690	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
2	23 September 2021	WET Bench (PR strip after metal)	545	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation
3	23 September 2021	WET Bench (PR strip/oxide before metal)	445	50% of the consideration as deposit; 40% of the consideration to be paid upon delivery; and the remaining 10% to be paid after installation

- (f) On 23 September 2021, PFC Device (GD), as the principal, entered into a construction contract (the “**Construction Contract**”) with 廣東鉅宏科技股份有限公司 (Guangdong Yuhong Technology Co., Ltd.\*), as the contractor in relation to the construction of a cleanroom situated at the wafer fabrication manufacturing facility at the Group’s factory in Shunde, the PRC for a total contract sum of RMB9,980,000 (equivalent to approximately HK\$11,976,000) (inclusive of applicable value-added tax rate);
- (g) On 4 November 2021, PFC Device (HK) has placed a purchase order with Well U Electronic Co., Ltd., for the purchases of wafer fabrication equipment at the consideration of approximately US\$1.3 million (equivalent to approximately HK\$10.3 million); and
- (h) On 14 December 2021, PFC Device (GD) has placed a purchase order (the “**Shanghai Yindeng Purchase Order**”) with 上海胤登集成電路有限公司 (Shanghai Yindeng Integrated Circuit Company Limited\*) (“**Shanghai Yindeng**”) for the purchases of wafer fabrication equipment at the consideration of approximately RMB25.6 million (equivalent to approximately HK\$30.8 million). Pursuant to the settlement terms of the Shanghai Yindeng Purchase Order, a non-refundable deposit of approximately RMB23 million is paid by PFC Device (GD) to Shanghai Yindeng within one week after confirmation of the Shanghai Yindeng Purchase Order, which is on normal commercial terms without any interest or collateral.

\* for the purpose of identification only

**13. EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have given opinions or advice which are contained in this Scheme Document:

<b>Name</b>	<b>Qualification</b>
Somerley	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital	a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Innovatus Law	legal adviser to the Company as to Taiwan laws
Gowling WLG (Canada) LLP	legal adviser to the Company as to Canadian laws

Each of the above experts has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of its letter of advice and with references to its name and/or letter of advice in the form and context in which they respectively appear.

**14. MISCELLANEOUS**

- (a) Principal members of the Offeror's concert group are the Offeror, Sybond Venture Limited, Shell Holdings, Red Dynasty Investments Limited, Mr. Yung, Mr. Tang, Mr. Chow, Mr. Hong, Ms. Vivian Hsu and Ms. Li.
- (b) Mr. Yung is the single largest ultimate beneficial owner holding (directly or indirectly through companies controlled by him) approximately 80.55% of the entire issued share capital of the Offeror.
- (c) The Offeror Directors are Mr. Yung, Mr. Tang and Mr. Chow.
- (d) The directors of Sybond Venture Limited are Mr. Yung and Mr. Chow.
- (e) The directors of Shell Holdings are Mr. Yung, Ms. Vivian Hsu, Mr. Chow and Ms. Li.
- (f) The sole director of Red Dynasty Investments Limited is Mr. Yung.
- (g) The registered office of the Offeror is at Commence Chambers, Road Town, Tortola, British Virgin Islands.

- (h) The registered office of Sybond Venture Limited is at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.
- (i) The registered office of Shell Holdings is at Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda.
- (j) The registered office of Red Dynasty Investments Limited is at Vistra (BVI) Limited, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (k) The address of Mr. Yung is at 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (l) The address of Mr. Tang is at 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (m) The address of Mr. Chow is at 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (n) The address of Mr. Hong is at 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (o) The address of Ms. Vivian Hsu is at 6A Purves Road, Jardine's Lookout, Hong Kong.
- (p) The address of Ms. Li is at 1/F Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (q) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (r) The head office and the principal place of business of the Company in Hong Kong is at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.
- (s) The company secretary of the Company is Ms. Lee Ka Man, associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (t) The principal share registrar and transfer office of the Company is Ocorian Trust (Cayman) Limited at Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (u) The registered office of the Independent Financial Adviser is at 21 Wing Wo Street, Central, Hong Kong.
- (v) The branch share registrar of the Company in Hong Kong is Tricor Investor Services Limited at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (w) This Scheme Document is prepared in both English and Chinese. The English text of this Scheme Document shall prevail over the Chinese text in case of any inconsistency.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection: (a) at the principal place of business of the Company in Hong Kong at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong) (Hong Kong time); (b) on the website of the Company at <http://www.pfc-device.com>; and (c) on the website of the SFC at <http://www.sfc.hk>, from the date of this Scheme Document until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is the earlier:

- (a) the memorandum and articles of association of the Offeror;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020;
- (d) the first quarterly results report of the Company for the three months ended 31 March 2021;
- (e) the interim report of the Company for the six months ended 30 June 2021;
- (f) the third quarterly results report of the Company for the nine months ended 30 September 2021;
- (g) the letter from the Board, the text of which is set out on pages 17 to 27 of this Scheme Document;
- (h) the letter from the Independent Board Committee, the text of which is set out on pages 28 to 29 of this Scheme Document;
- (i) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 46 of this Scheme Document;
- (j) the material contracts referred to in the section headed “12. Material Contracts” in this Appendix II;
- (k) the written consents referred to in the section headed “13. Experts and consents” in “this Appendix II”;
- (l) the form of the Option Offer Letter;
- (m) the Form of Acceptance; and
- (n) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. FSD 357 OF 2021 (DDJ)

IN THE MATTER OF SECTIONS 15, 16 AND 86 OF THE COMPANIES ACT (2021 REVISION) (AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF PFC DEVICE INC. 節能元件有限公司

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**SCHEME OF ARRANGEMENT**  
**between**  
**PFC DEVICE INC.**  
節能元件有限公司  
**and**  
**THE SCHEME SHAREHOLDERS**  
**(as hereinafter defined)**

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(A) In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set opposite them:

“acting in concert”	has the meaning given to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement Date”	11 November 2021, being the date of the Joint Announcement
“associate(s)”	has the meaning given to it in the Takeovers Code
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner other than himself/herself
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business



“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Participant”	a person admitted to participate in CCASS as a participant, including an Investor Participant
“close relatives”	has the meaning given to it under the Takeovers Code
“Companies Act”	the Companies Act, (2021 Revision) of the Cayman Islands, as consolidated and revised from time to time
“Company”	PFC Device Inc. 節能元件有限公司 (stock code: 8231), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange
“Condition(s)”	the conditions to the implementation of the Proposal as set out in the section headed “Conditions of the Proposal” in the Explanatory Statement
“Court Meeting”	a meeting of the Disinterested Shareholders to be convened at the direction of the Grand Court at 9:00 a.m. (Hong Kong time) on Wednesday, 16 February 2022 at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong, at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“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 in accordance with the Companies Act

“EGM”	An extraordinary general meeting of the Company to be held at 10:00 a.m. (Hong Kong time) (or immediately after the conclusion or adjournment of the Court Meeting) on Wednesday, 16 February 2022 at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong and any adjournment thereof for the purpose of approving (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 as a result of the Scheme; and (ii) the ordinary resolution to immediately thereafter increase the number of Shares in the issued share capital of the Company to the number prior to the cancellation and extinguishment of the Scheme Shares by an application of the reserve created as a result of the aforesaid cancellation and extinguishment of the Scheme Shares to pay up in full at par such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished as a result of the Scheme, credited as fully paid, to be allotted and issued to the Offeror
“EGM Record Date”	16 February 2022, or such other date as may be announced to the Shareholders, being the record date for the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 47 to 70 of this Scheme Document
“Form of Acceptance”	the form of acceptance despatched to the Option Holders in connection with the Option Offer
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company which comprises 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 (including the Option Offer) and the Scheme
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Proposal (including the Option Offer) and the Scheme, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Investor Participant”	a person admitted to participate in CCASS as an investor participant
“Joint Announcement”	the announcement jointly issued by the Offeror and the Company on 11 November 2021 in relation to the Proposal
“Last Trading Day”	5 November 2021, being the last trading day of Shares prior to the suspension of trading of Shares pending the issue of the Joint Announcement
“Latest Practicable Date”	18 January 2022, being the latest practicable date prior to the date of this Scheme Document for the purpose of ascertaining certain information contained in this Scheme Document
“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
“Meeting Record Date”	the EGM Record Date and/or the Scheme Court Meeting Record Date (as the case may be)
“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
“Ms. Li”	Ms. LI Pik Mui, Cindy, a director of Shell Holdings
“offer period”	has the meaning given to it under the Takeovers Code
“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 Party(ies)”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code with the Offeror in relation to the Company, being such persons who have interest in the Shares and/or Options include Mr. Yung, Mr. Tang, Mr. Chow, Mr. Hong, Ms. Li, Ms. Vivian Hsu, Sybond Venture Limited, Shell Holdings and Red Dynasty Investments Limited
“Offeror Director(s)”	the director(s) of the Offeror
“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 being made by or on behalf of the Offeror to the Option Holders
“Option Offer Letter”	the letter dated 21 January 2022 setting out the terms and conditions of the Option Offer sent separately to the Option Holders, a form of which is set out in Appendix VI to this Scheme Document
“Option Offer Price”	the price for cancellation of each Option, being HK\$0.01
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited Shares with, a CCASS Participant
“PRC”	the People’s Republic of China (for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region 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 from GEM of the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Prospectus”	the Company’s prospectus dated 8 June 2021 in connection with the Rights Issue
“Registered Owner”	any person (including without limitation a nominee, trustee, depository or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	the Registrar of Companies in the Cayman Islands
“Relevant Authorities”	appropriate governments, 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 Period”	the period commencing on 11 May 2021, being the date falling six months prior to the Announcement Date and ending on the Latest Practicable Date, both dates inclusive
“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”	the scheme of arrangement between the Company and the Scheme Shareholders under Section 86 of the Companies Act for the implementation of the Proposal as set out in Appendix III to this Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Grand Court and agreed to by the Company

“Scheme Court Meeting Record Date”	16 February 2022, or such other date as may be announced to, among others, the Scheme Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to attend and vote at the Court Meeting
“Scheme Document”	this scheme document of the Offeror and the Company containing, among other things, each of the letters, statements, appendices and notices in it
“Scheme Record Date” or “Record Date”	23 March 2022, the date on which the Scheme becomes effective or such other date as shall have been announced to the Scheme Shareholders, being the record date for the purpose of determining the entitlement of the Scheme Shareholders to the Cancellation Price upon the Scheme becoming effective
“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) of HK\$0.20 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 19 September 2016
“Share Registrar”	Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, being the Company’s branch share registrar
“Shareholder(s)”	holder(s) of the Shares
“Shell Holdings”	Shell Electric Holdings Limited, a company incorporated in Bermuda with limited liability

- |                             |   |
|-----------------------------|---|
| “Somerley”                  | Somerley 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   |
| “trading day”               | a day on which the Stock Exchange is open for the business of dealings in securities  |
| “US” or the “United States” | the United States of America  |
| “%”                         | per cent  |
- (B) The Company was incorporated as an exempted company with limited liability on 2 March 2016 in the Cayman Islands under the Companies Act.
- (C) The Company has an authorised share capital of HK\$38,000,000 divided into 190,000,000 Shares of par value of HK\$0.20 each, of which 121,352,419 Shares were issued and fully paid as of the Latest Practicable Date.
- (D) The Offeror has proposed the privatisation of the Company by way of the Scheme of Arrangement.
- (E) The primary purpose of the Scheme of Arrangement is to privatise the Company by cancelling and extinguishing, among others, all of the Scheme Shares in consideration for the Cancellation Price so that after the completion of the Scheme of Arrangement, the Offeror will own 100% of the issued share capital of the Company. Simultaneously with the cancellation of the Scheme Shares, the issued share capital of the Company will be restored to its former amount by the issue to the Offeror credited as fully paid at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished.

- (F) As at the Latest Practicable Date, 85,704,398 Shares were legally and/or beneficially owned by the Offeror and the Offeror Concert Parties and registered as follows:

Shareholders	As at the Latest Practicable Date		As at the Effective Date	
	Number of Shares	% <sup>^</sup>	Number of Shares	% <sup>^</sup>
<b>Offeror</b>	85,105,625	70.1%	121,352,419	100%
<b>Offeror Concert Parties</b>				
Mr. Tang	–	–	–	–
Mr. Chow	135,191	0.1%	–	–
Mr. Hong	453,582	0.4%	–	–
Ms. Li	10,000	–	–	–
<b>Subtotal</b> (aggregate number of Shares not voting on the Scheme of Arrangement)	598,773	0.5%	–	–
<b>Disinterested Shareholders</b>	35,648,021	29.4%	–	–
<b>Total number of Scheme Shares</b>	36,246,794	29.9%	–	–
<b>Total number of Shares in issue</b>	121,352,419	100%	121,352,419	100%

<sup>^</sup> (All percentages in the above table are approximation.)

- (G) The Offeror and the Offeror Concert Parties will procure that any Shares in respect of which they are legally or beneficially interested will not be represented or voted at the Court Meeting convened at the direction of the Grand Court for the purpose of considering and, if thought fit, approving the Scheme of Arrangement.
- (H) The Offeror and the Offeror Concert Parties have undertaken to the Grand Court to be bound by the terms of the Scheme of Arrangement and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable for the purpose of giving effect to and satisfying their respective obligations under the Scheme of Arrangement.



**SCHEME OF ARRANGEMENT**

**PART I**

**Cancellation and extinguishment of the Scheme Shares and issue of new Shares credited as fully paid at par to the Offeror**

- 1. On the Effective Date:
  - (a) the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares and the Scheme Shareholders shall cease to have any right with respect to the Scheme Shares except the right to receive the Cancellation Price;
  - (b) subject to and forthwith upon such reduction of issued share capital taking effect, the issued share capital of the Company will be restored to its former amount by issuing to the Offeror the same number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
  - (c) the Company shall apply the credit arising in its books of account as a result of the cancellation and extinguishment of the Scheme Shares by paying up in full at par such number of Shares as is equal to the number of Scheme Shares cancelled and extinguished, which shall be allotted and issued and credited as fully paid at par to the Offeror as mentioned in paragraph (b) above.

**PART II**

**Consideration for the cancellation and extinguishment of the Scheme Shares**

- 2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay (or procure that there shall be paid) to each Scheme Shareholder (as appears in the register of members of the Company on the Scheme Record Date):

for each Scheme Share cancelled and extinguished . . . . . HK\$1.40 in cash

**PART III****General**

3. (a) As soon as possible and in any event not later than five (5) Business Days after the Effective Date, on request, the Company shall issue share certificate(s) to the Offeror.
- (b) As soon as possible and in any event not later than seven (7) Business Days after the Effective Date, the Offeror shall send or cause to be sent to the Scheme Shareholders cheques representing the Cancellation Price.
- (c) Unless otherwise indicated in writing to the Hong Kong branch share registrar and transfer office of the Company, being Tricor Investor Services Limited, all cheques to be despatched to the Scheme Shareholders shall be sent by ordinary post to the Scheme Shareholders at their respective addresses as appearing in the register of members of the Company on the Scheme Record Date.
- (d) Cheques shall be posted at the risk of the addressees and neither the Offeror nor the Company shall be responsible for any loss or delay in receipt.
- (e) Cheques shall be in favour of the person to whom, in accordance with the provisions of paragraph (b) of this Clause 3, the envelope containing the same is addressed and the encashment of any such cheques shall be a good discharge to the Offeror for the monies represented thereby.
- (f) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph (b) of this Clause 3, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been encashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies on trust for those entitled under the terms of the Scheme of Arrangement until the expiration of six years from the Effective Date and shall prior to such date pay out of such monies the sums payable pursuant to the Scheme of Arrangement to persons who satisfy the Offeror that they are entitled thereto and the cheques referred to in paragraph (b) of this Clause 3 of which they are payees have not been encashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme of Arrangement. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
- (g) On the expiration of six years from the Effective Date, the Offeror and the Company shall be released from any further obligation to make any payments under the Scheme of Arrangement.

- (h) Paragraph (g) of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.
  - (i) Upon cancellation and extinguishment of the Scheme Shares, the register of members of the Company shall be updated to reflect such cancellation and extinguishment.
4. As from the Effective Date, any instruments of transfer relating to and all certificates representing, the Scheme Shares shall cease to have effect as documents or evidence of title (and/or for any purpose as an instrument of transfer) and every Scheme Shareholder and every holder of such certificate shall be bound on the request of the Offeror to deliver up the same to the Offeror for cancellation thereof.
  5. All mandates, representations, warranties, undertakings or relevant instructions to or by the Company in force on the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates, representations, warranties, undertakings or instructions on the Effective Date.
  6. The Scheme of Arrangement shall become effective as soon as a copy of the order of the Grand Court sanctioning the Scheme of Arrangement has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Act.
  7. Unless the Scheme of Arrangement shall have become effective on or before 31 March 2022 or such later date, if any, as the Offeror and the Company may agree or, to the extent applicable, as the Executive may consent and as the Grand Court on application of the Offeror or the Company may allow, the Scheme of Arrangement shall lapse and be of no effect.
  8. The Company and the Offeror may, subject to the approval of the Grand Court, jointly consent to any modification of or addition to the Scheme of Arrangement or to any condition contained therein.
  9. The Offeror and the Company have agreed that all costs, charges and expenses of the advisers and counsels appointed by the Company, including the Independent Financial Adviser, will be borne by the Company whereas all costs, charges and expenses of the advisers and counsels appointed by the Offeror will be borne by the Offeror, and other costs, charges and expenses of the Scheme of Arrangement incurred by each of the Offeror and the Company will be borne by them respectively.

Date 21 January 2022

IN THE GRAND COURT OF THE CAYMAN ISLANDS  
FINANCIAL SERVICES DIVISION

Cause No. FSD 357 of 2021 (DDJ)

IN THE MATTER OF SECTIONS 15, 16 AND 86 OF THE COMPANIES ACT (2021 REVISION)  
(AS AMENDED)

AND IN THE MATTER OF THE GRAND COURT RULES 1995 ORDER 102

AND IN THE MATTER OF PFC DEVICE INC. 節能元件有限公司

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**NOTICE OF COURT MEETING**

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**NOTICE IS HEREBY GIVEN** that, by an order dated 14 January 2022 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (voting together as a single class), a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between PFC Device Inc. 節能元件有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong on Wednesday, 16 February 2022 at 9:00 a.m. (Hong Kong time) at which place and time all Scheme Shareholders on the Scheme Court Meeting Record Date are invited to attend.

A copy of the Scheme of Arrangement and a copy of an explanatory statement explaining the effect of the Scheme of Arrangement are incorporated in the scheme document of which this Notice forms part. A copy of the scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen’s Road East, Hong Kong, at the registered office of the Company, or at the office of the Company’s attorneys, Travers Thorp Alberga at Harbour Place, 2nd Floor, PO Box 472, 103 South Church Street, Grand Cayman, KY1-1106, Cayman Islands..

Disinterested Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend, speak and vote in their stead. A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the scheme document dated 21 January 2022 despatched to, among others, the Scheme Shareholders on Friday, 21 January 2022. Completion and return of the **pink** form of proxy will not prevent a Disinterested Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he/she/it wishes to do so and in such event, the **pink** form of proxy previously submitted shall be deemed to have been revoked.

In the case of Disinterested Shareholders jointly holding ordinary shares of HK\$0.20 par value each in the share capital of the Company (the “**Shares**”), any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such Share as if he/she/it was solely entitled thereto. However, if more than one of such joint holders are present at the Court Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of such joint holding of Shares, the first named Disinterested Shareholder being the senior.

It is requested that **pink** forms appointing proxies be deposited at the Hong Kong branch share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited, at Level 54 Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 9:00 a.m. on Monday, 14 February 2022, but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion whether or not to accept them.

By the Order of the Court, the chairman appointed pursuant to Article 70 of the Articles of Association of the Company shall act as chairman of the Court Meeting and shall report the results of such Court Meeting to the Court.

The Scheme of Arrangement will be subject to a subsequent application seeking the sanction of the Court.

By order of the Court  
**PFC Device Inc.**  
節能元件有限公司  
**CHOW Kai Chiu, David**  
*Director*

Hong Kong, 21 January 2022

***Registered Office***

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

***Principal Place of Business in Hong Kong***

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

*Notes:*

- (1) A Disinterested Shareholder entitled to attend and vote at the Court Meeting is entitled to appoint one, and if such Disinterested Shareholder is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company, but must attend the Court Meeting in person to represent him/her/it.
- (2) A **pink** form of proxy for use at the Court Meeting (or any adjournment thereof) is enclosed with the scheme document containing the Scheme of Arrangement dated 21 January 2022 despatched to, among others, the Disinterested Shareholders.
- (3) In order to be valid, the **pink** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time for holding the Court Meeting or any adjournment thereof but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting before the taking of the poll and the chairman of the Court Meeting shall have absolute discretion whether or not to accept them. Completion and return of the **pink** form of proxy will not preclude a Scheme Shareholder from attending the Court Meeting and voting in person if he/she/it so wishes. In the event that a Scheme Shareholder attends and votes at the Court Meeting after having lodged his/her/its **pink** form of proxy, his/her/its **pink** form of proxy shall be deemed to have been revoked.
- (4) In the case of joint Disinterested Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding of the Shares.
- (5) Voting at the Court Meeting will be taken by poll in accordance with the articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The register of members of the Company in respect of the Shares will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the Court Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 10 February 2022.
- (7) Please refer to the section headed "Actions to be taken" on pages 1 to 6 of the scheme document dated 21 January 2022 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the Court Meeting, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social appropriate arrangements will be maintained at the Court Meeting; and (d) no food or drinks or souvenirs will be served or distributed at the Court Meeting. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the Court Meeting but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Disinterested Shareholders are encouraged to consider appointing the chairman of the Court Meeting as his/her/its proxy to vote on the relevant resolution(s) at the Court Meeting as an alternative to attending the Court Meeting in person.



# PFC Device Inc.

## 節能元件有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8231)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of holders of ordinary shares of HK\$0.20 par value each (the “Shares”) in the share capital of PFC Device Inc. 節能元件有限公司 (the “Company”) will be held at 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong on Wednesday, 16 February 2022, at 10:00 a.m. (Hong Kong time) (or immediately after the conclusion or the adjournment of the meeting of the Disinterested Shareholders (as defined in the Scheme of Arrangement hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering and, if thought fit, passing the following resolutions:

### SPECIAL RESOLUTION

1. **“THAT:**

- (a) pursuant to a scheme of arrangement dated 21 January 2022 (the “**Scheme of Arrangement**”) between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and
- (b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose.”

### ORDINARY RESOLUTION

2. **“THAT:**

- (a) subject to and forthwith upon the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.20 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;

- (b) the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly;
- (c) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose; and
- (d) any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

On behalf of the board of directors of  
**PFC Device Inc.**  
節能元件有限公司  
**CHOW Kai Chiu, David**  
*Director*

Hong Kong, 21 January 2022

*Registered Office:*

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Principal Place of Business in Hong Kong:*

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



*Notes:*

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one, and if such member is the holder of two or more Shares, more than one proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company, but must attend the EGM in person to represent him/her/it.
- (2) A **white** form of proxy for use at the EGM (or any adjournment thereof) is enclosed with the scheme document containing the Scheme of Arrangement dated 21 January 2022 despatched to, among others, holders of Shares (the “**Shareholders**”).
- (3) In order to be valid, the **white** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be lodged with Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment thereof failing which the **white** form of proxy will not be valid. Completion and return of the **white** form of proxy will not preclude a Shareholder from attending the EGM and voting in person if he/she/it so wishes. In the event that a Shareholder attends and votes at the EGM after having lodged his/her/its **white** form of proxy, his/her/its **white** form of proxy will be deemed to have been revoked.
- (4) In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and, for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (5) Voting at the EGM will be taken by poll in accordance with the articles of association of the Company as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Code on Takeovers and Mergers.
- (6) The register of members of the Company in respect of the Shares will be closed from Friday, 11 February 2022 to Wednesday, 16 February 2022 (both days inclusive) and during such period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Thursday, 10 February 2022.
- (7) Please refer to the section headed “Actions to be taken” on pages 1 to 6 of the scheme document dated 21 January 2022 for precautionary measures being implemented by the Company in order to prevent and control the spread of the novel coronavirus (COVID-19) and to ensure the health and safety of all attendees at the EGM, including (a) compulsory body temperature checks; (b) compulsory wearing of surgical face masks for each attendee; (c) appropriate social distancing arrangements will be maintained at the EGM; and (d) no food or drinks or souvenirs will be served or distributed at the EGM. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into and/or may be required to leave the venue of the EGM but will be allowed to vote by submitting a voting slip to the scrutineer at the entrance of the venue, to the extent permitted by law.

Shareholders are encouraged to consider appointing the chairman of the EGM as his/her/its proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

*Set out below is the form of the Option Offer Letter being sent to each Option Holder in connection with the Option Offer and pursuant to the terms of the Share Option Scheme.*

21 January 2022

*To the Option Holders*

Dear Sir or Madam,

**OPTION OFFER  
IN RELATION TO  
THE PROPOSAL FOR THE PRIVATISATION  
OF  
PFC DEVICE INC.  
BY  
LOTUS ATLANTIC LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT  
UNDER SECTION 86 OF THE COMPANIES ACT**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) are provided to you together with this letter. Terms used but not defined in this letter have the same meanings as defined in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 11 November 2021, the Offeror and the Company jointly announced (the “**Announcement**”) that on 5 November 2021, the Offeror had requested the Board to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of the Scheme. As stated in the Announcement, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the Option Holders to cancel every Option they hold in accordance with Rule 13 of the Takeovers Code (the “**Option Offer**”), conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to any outstanding Options held by you. You are advised to refer to the Scheme Document when considering them.

**If you do not: (i) exercise your outstanding Options to become a holder of Scheme Shares before the Scheme Record Date in accordance with the rules of the Share Option Scheme and the Scheme Document; or (ii) accept the Option Offer, your Options will lapse on the Effective Date without any payment made to you.**

Your attention is also drawn to the terms and conditions of the documentation under which each of your Options was granted (including the terms of the Share Option Scheme).

**TERMS OF THE OPTION OFFER**

Under the Option Offer, the Offeror is offering you the “see-through” price (being the Cancellation Price minus the exercise price of the relevant Options) for the cancellation of each Option you 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.

Pursuant to and in accordance with the terms of the Share Option Scheme:

- (a) the Option Holders may at any time after the date of this letter but before the Effective Date exercise all or any of his Options (to the extent not already exercised);
- (b) subject to the Company receiving such exercise notice and the Option exercise price, the Company will as soon as possible issue and register under the name of the Option Holder such number of Shares which fall to be issued on the exercise of such Options; and
- (c) all Options not so exercised by the Effective Date will lapse.

In consideration for the Offeror’s agreement to pay you the cash consideration set out above, upon your acceptance, all rights and obligations under your Options will be cancelled by the Offeror and the Company subject to the Scheme becoming effective.

**Conditions of the Option Offer and Close of the Option Offer**

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from GEM of the Stock Exchange. The Option Offer will close at 4:00 p.m. on Wednesday, 23 March 2022.

The Conditions of the Proposal and the Scheme are set out in the paragraph headed “Conditions of the Proposal” in the Explanatory Statement. You are further advised to refer to the paragraphs headed “Overseas Shareholders and Option Holders” and “Registration and Payment” in the Explanatory Statement.

**Payments Under the Option Offer**

Cheques for payment of the Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible, but in any event within seven Business Days following the Effective Date.

It is emphasised that none of the Offeror, the Company, Somerley and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Option Offer. All Disinterested Shareholders, Beneficial Owners and/or Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal and they will be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme and/or the Option Offer.

### **COURSES OF ACTION AVAILABLE TO OPTION HOLDERS**

The Option Offer is available to you in respect of all Options that you hold as at the Share Option Record Date and for which you (or your nominee) have not been registered as the holder of the underlying Shares as at the Scheme Record Date. The choices available to you in respect of your Options are set out below:

#### **(A) Accept the Option Offer**

You may choose to accept the Option Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance, by ticking the “Accept” box on the Form of Acceptance and signing, completing and returning it in accordance with the instructions set out below by not later than 4:00 p.m. on Wednesday, 23 March 2022 (or such later time and/or date as may be notified to you). Such acceptance of the Option Offer will be in respect of all Options held by you as at the Share Option Record Date, and you will receive the Option Offer Price for all the relevant Options if the Scheme becomes effective.

#### **(B) Reject the Option Offer**

If you choose to reject the Option Offer, please tick the “Reject” box on the enclosed Form of Acceptance and sign, complete and return it in accordance with the instructions set out below.

Such rejection of the Option Offer will be in respect of all Options held by you as at the Share Option Record Date. Pursuant to and in accordance with the terms of the Share Option Scheme, all Options not so exercised by the Effective Date will lapse.

If you reject the Option Offer, you will not be entitled to receive the cash consideration offered in respect of any of your Options.

Following receipt of this letter, if you: (i) reject the Option Offer; (ii) choose to do nothing (including not returning a Form of Acceptance); (iii) fail to tick either the “Accept” or “Reject” box or fail to sign on a returned Form of Acceptance; or (iv) fail to return a completed and signed Form of Acceptance by no later than 4:00 p.m. on Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of an announcement by the Offeror and the Company on the website of the Stock Exchange), you will be treated as not having accepted the Option Offer in respect of all Options held by you as at the Share Option Record Date, your outstanding Options will lapse automatically at the Effective Date and you will receive neither the Option Offer Price nor the Cancellation Price.

**HOW TO RETURN THE FORM OF ACCEPTANCE**

You should return the duly completed and executed Form of Acceptance so as to reach the Company at its principal office (being 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong), for the attention of the company secretary of the Company and marked “PFC Device Inc. — Option Offer”, by no later than 4:00 p.m., Wednesday, 23 March 2022 (or such later date and time as may be notified to you by the Offeror or by way of an announcement by the Offeror and the Company on the website of the Stock Exchange).

Before returning the Form of Acceptance, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

**LAPSED OPTIONS**

Please note that nothing in this letter or the Scheme Document serves to extend the life of an Option (which lapses, will lapse or has already lapsed) under the terms of its grant or the Share Option Scheme. You cannot accept the Option Offer in respect of an Option which has lapsed or will have lapsed by the Share Option Record Date (other than as a result of the failure to exercise the Options before the Effective Date).

**RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

Your attention is drawn to the Letter from the Independent Board Committee and the Letter from the Independent Financial Adviser which contain the advice and recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Proposal (including the Option Offer) and the Scheme.

**INDEPENDENT FINANCIAL ADVICE**

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document, the Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**DECLARATION**

By returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including those set out in this letter and the Form of Acceptance), and that you have received the Scheme Document and this letter;
- (b) warrant and confirm that each Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Option will become void once that Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;
- (c) acknowledge that you cease to have any rights or obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of such Options you hold in respect of which you accept the Option Offer and agree that all rights and obligations under such Options will be cancelled;
- (d) confirm that any acceptance of the Option Offer cannot be withdrawn or altered;
- (e) authorise the Company or the Offeror (or any director or officer of the Company or the Offeror, or any agent of such person) to do all acts and things and to execute any document as may be necessary or desirable to give effect to (or in consequence of) your acceptance of the Option Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance; and
- (f) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

**GENERAL**

All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Option Holders will be delivered by or sent to or from them (or their designated agents) at their risk, and neither the Offeror nor the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter will be taken as having been received by you within two Business Days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.

The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to the Offeror, any Offeror Directors or their respective agents to complete and execute any document on behalf of the Option Holders and to do any other act, that may be necessary or expedient for the purpose of cancelling (or transferring to the Offeror or such persons as the Offeror may direct) all rights of the Option Holders in respect of the Options which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may (if the Offeror determine it appropriate) be as effective as if it were duly completed and received, notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter (including the date specified for receipt).

By accepting the Option Offer in respect of a particular Option, you irrevocably and at your own risk elect to authorise the Offeror (or such person as the Offeror may direct) to send to you or the Company as your agent (depending on your election), or procure the sending to you or the Company as your agent (depending on your election) of, the payment to which you are entitled.

Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. All Option Holders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

#### **RESPONSIBILITY STATEMENT**

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 letter (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this letter the omission of which would make any statements in this letter misleading.

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

Yours truly,

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

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