



**PFC Device Inc.**  
**節能元件有限公司**

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

# 2016

Third Quarterly Report



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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

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

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

## FINANCIAL HIGHLIGHT

- The Group's revenue amounted to US\$16.9 million for the nine months ended 30 September 2016, representing an increase of US\$4.8 million or 40% as compared with the nine months ended 30 September 2015.
- Profit attributable to the owners of the Company for the three quarters ended 30 September 2016 dipped from US\$0.5 million to a loss of US\$0.4 million representing a decrease of US\$0.9 million over the corresponding period last year. The plunge in profit was mainly attributable to the non-recurring listing expenses of US\$1.4 million incurred by the Group. Should these expenses not have been incurred, profit attributable to the owners of the Company for the period ended 30 September 2016 would reach US\$1.0 million, approximately double of that for the prior year period.
- The Board did not declare the payment of interim dividend for the nine months ended 30 September 2016.

## THIRD QUARTERLY RESULTS

The board of Directors (“the Board”) of the Company is pleased to announce the unaudited condensed consolidated third quarterly results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2016, together with the comparative unaudited figures for the corresponding period in 2015, as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)	2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)
<b>Revenue</b>	3	<b>6,218</b>	3,981	<b>16,883</b>	12,052
Cost of sales		<b>(4,654)</b>	(2,880)	<b>(12,130)</b>	(8,520)
<b>Gross profit</b>		<b>1,564</b>	1,101	<b>4,753</b>	3,532
Other income		<b>11</b>	12	<b>37</b>	63
Distribution and selling expenses		<b>(31)</b>	(24)	<b>(92)</b>	(71)
Administrative expenses		<b>(1,058)</b>	(924)	<b>(2,748)</b>	(2,719)
Other operating expenses					
— Listing expenses		<b>(750)</b>	—	<b>(1,436)</b>	—
— Others		<b>(73)</b>	(79)	<b>(218)</b>	(167)
Finance costs		<b>(27)</b>	—	<b>(63)</b>	—
Other gains and losses		<b>(124)</b>	169	<b>(295)</b>	141
<b>(Loss)/Profit before income tax</b>	4	<b>(488)</b>	255	<b>(62)</b>	779
Income tax expense	5	<b>(46)</b>	(55)	<b>(295)</b>	(243)
<b>(Loss)/Profit for the period</b>		<b>(534)</b>	200	<b>(357)</b>	536
<b>Other comprehensive income for the period</b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Exchange difference arising from translation of overseas operations		<b>103</b>	(355)	<b>54</b>	(250)
<b>Total comprehensive income for the period</b>		<b>(431)</b>	(155)	<b>(303)</b>	286
		<b>US cents</b>	US cents	<b>US cents</b>	US cents
<b>(Loss)/Earnings per share</b>	7				
— Basic		<b>(0.045)</b>	0.017	<b>(0.030)</b>	0.045
— Diluted		<b>(0.045)</b>	0.017	<b>(0.030)</b>	0.045

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	Share capital	Share premium	Share option reserve	Merger reserve	Capital contribution	Translation reserve	Accumulated losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Nine months ended</b>								
<b>30 September 2015 (unaudited)</b>								
At 1 January 2015	5,628	—	—	327	—	(117)	(2,118)	3,720
Profit for the period	—	—	—	—	—	—	536	536
Other comprehensive income for the period								
— Exchange difference arising from translation of overseas operations	—	—	—	—	—	(250)	—	(250)
Total comprehensive income for the period	—	—	—	—	—	(250)	536	286
Share-based payment expenses of PFC Share								
Options granted in 2015	—	—	96	—	—	—	—	96
Vested share options forfeited	—	—	(7)	—	—	—	7	—
<b>At 30 September 2015</b>	<b>5,628</b>	<b>—</b>	<b>89</b>	<b>327</b>	<b>—</b>	<b>(367)</b>	<b>(1,575)</b>	<b>4,102</b>
<b>Nine months ended</b>								
<b>30 September 2016 (unaudited)</b>								
At 1 January 2016	5,628	—	89	327	1,247	(396)	(1,424)	5,471
(Loss) for the period	—	—	—	—	—	—	(357)	(357)
Other comprehensive income for the period								
— Exchange difference arising from translation of overseas operations	—	—	—	—	—	54	—	54
Total comprehensive income for the period	—	—	—	—	—	54	(357)	(303)
Issue of shares upon exercise of PFC Share								
Options	553	89	(89)	—	—	—	—	553
Acceleration vesting of PFC Share Options	—	—	2	—	—	—	—	2
Termination of PFC Option Plan	—	—	(2)	—	—	—	2	—
Recognition of contingent obligation arising from the Share Repurchase Agreements (note 9)	(553)	—	—	—	—	—	—	(553)
Issue of shares under a subscription agreement (note 8)	7,700	—	—	—	—	—	—	7,700
Reorganisation (note 8(v))	(13,864)	13,286	—	578	—	—	—	—
Derecognition of contingent obligation upon termination of the share repurchase arrangement (note 9)	553	—	—	—	—	—	—	553
<b>At 30 September 2016</b>	<b>17</b>	<b>13,375</b>	<b>—</b>	<b>905</b>	<b>1,247</b>	<b>(342)</b>	<b>(1,779)</b>	<b>13,423</b>

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 March 2016. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at 1/F, Shell Industrial Building, 12 Lee Chung Street, Chai Wan, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of power discrete semiconductors (the “Semiconductor Business”).

The ultimate holding company of the Company is Shell Electric Holdings Limited (“Shell Electric”), a company incorporated in Bermuda.

Pursuant to the reorganisation of the Company (the “Reorganisation”) in connection with the listing of shares of the Company on the GEM of the Stock Exchange, the Company has become the holding company of its subsidiaries now comprising the Group since 19 September 2016. The shares of the Company were listed on the GEM of the Stock Exchange on 7 October 2016. Details of the Reorganisation are set out in the section headed “History, Reorganisation and Corporate Structure” to the prospectus of the Company date 30 September 2016 (the “Prospectus”).

The condensed consolidated financial information are unaudited, but have been reviewed by the Audit Committee of the Company. The unaudited condensed consolidated financial information were approved for issue on 9 November 2016.

## 2. BASIS OF PRESENTATION AND REORGANISATION

The unaudited condensed consolidated financial information has been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in preparing the financial statements for the year ended 31 December 2015 set out in Appendix I of the Prospectus which have been prepared in accordance with the accounting policies which conforms with the Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) except for the adoption of new accounting policies as a result of the completion of the Reorganisation as set out below. The unaudited condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

## 2. BASIS OF PRESENTATION AND REORGANISATION *(Continued)*

### Basis of consolidation

The financial information for the three months and nine months ended 30 September 2015 has been prepared on a carve out basis from the consolidated financial statements of Shell Electric for the purposes of presenting the results of operations of the Semiconductor Business by adopting the principles of merger accounting under Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the HKICPA. Upon completion of the Reorganisation on 19 September 2016, the results of the subsidiaries are consolidated into the financial statements of the Company. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

The Group has not early adopted the new or revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited condensed consolidated financial information has been prepared under the historical cost basis. These unaudited condensed consolidated results are presented in United States dollars ("US\$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the unaudited condensed consolidated financial information in conformity with the HKFRSs requires the use of certain critical accounting estimates and the exercise of judgments by the management in applying the Group's accounting policies.

### 3. REVENUE

The Group is principally engaged in manufacturing and sales of power discrete semiconductors. Revenue represented the net invoiced value of goods sold during the periods:

	Three months ended 30 September		Nine months ended 30 September	
	2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)	2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)
Sales of power discrete semiconductors	<b>5,543</b>	3,856	<b>15,131</b>	11,024
Trading of raw materials	<b>675</b>	125	<b>1,752</b>	1,028
	<b>6,218</b>	3,981	<b>16,883</b>	12,052

### 4. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)	2016 US\$'000 (unaudited)	2015 US\$'000 (unaudited)
Depreciation of property, plant and equipment	<b>334</b>	304	<b>1,002</b>	802
Employee benefit expenses (including directors' emoluments)				
— Salaries, wages and other benefits	<b>917</b>	730	<b>2,472</b>	2,157
— Contribution to defined contribution retirement plans	<b>51</b>	41	<b>139</b>	116
— Equity settled share-based payment expense	<b>—</b>	—	<b>2</b>	96
	<b>968</b>	771	<b>2,613</b>	2,369



## 5. INCOME TAX EXPENSE

The amounts of income tax in the condensed consolidated statement of comprehensive income represent:

	Three months ended		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Hong Kong Profits Tax	–	–	–	–
– Taiwan				
– Tax for the period	<b>62</b>	28	<b>336</b>	230
	<b>62</b>	28	<b>336</b>	230
Deferred tax	<b>(16)</b>	27	<b>(41)</b>	13
Income tax expense	<b>46</b>	55	<b>295</b>	243

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits derived from Hong Kong for the periods. Profits tax arising from operations in Taiwan is calculated at 17% on the estimated assessable profits for the periods. Certain group companies are subject to Enterprise Income Tax in the People's Republic of China at tax rate of 25%.

## 6. DIVIDEND

The Board does not declare the payment of any interim dividend for the nine months ended 30 September 2016 (30 September 2015 : Nil).

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following data:

<b>Three months ended</b>		<b>Nine months ended</b>	
<b>30 September</b>		<b>30 September</b>	
<b>2016</b>	2015	<b>2016</b>	2015
<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)

### **(Loss)/Earnings**

(Loss)/Profit for the period  
attributable to owners of  
the Company

<b>(534)</b>	200	<b>(357)</b>	536
--------------	-----	--------------	-----

<b>Three months ended</b>		<b>Nine months ended</b>	
<b>30 September</b>		<b>30 September</b>	
<b>2016</b>	2015	<b>2016</b>	2015
Number of shares (thousands) (unaudited)			

### **Number of share:**

Weighted average number of  
shares in issue during  
the period

<b>1,193,723</b>	1,191,747	<b>1,192,679</b>	1,191,747
------------------	-----------	------------------	-----------

The weighted average number of shares for the purposes of calculating basic (loss)/earnings per share represents the weighted number of shares in issue during the periods, after giving effect of the Capitalisation Issue as further described in note 10(c) and the Share Subdivision as further described in note 8(iii), as if the Capitalisation Issue and the Share Subdivision had occurred on 1 January 2015, as well as the share swap as described in Note 8(v).

The calculation of diluted earnings per share for the three months and nine months ended 30 September 2015 is based on profit for the period attributable to owners of the Company used in calculating basic earnings per share as set out above and the weighted average number of shares in issue during the period for the purposes of calculating diluted earnings per share of 1,198,250,000 and 11,298,265,000 shares respectively, which represent the weighted average number of shares used for calculating basic earnings per share as set out above, adjusted for the effect of dilutive potential shares in respect of PFC Share Options as mentioned in note 9 of 6,503,000 and 6,518,000 shares respectively.

Diluted loss per share for the three months and nine months ended 30 September 2016 are same as the basic loss per share as the outstanding PFC Share Options will have antidilutive effect on the loss per share for these periods.

## 8. SHARE CAPITAL

On 14 September 2016, PFC Device Holdings Limited (“PFC Device Holdings”), a member of the Group and Shell Electric entered into a subscription agreement and pursuant to the subscription agreement, PFC Device Holdings allotted and issued 7,700,000 preference shares to Shell Electric at subscription price of US\$1.0 per preference share. The consideration for the subscription amounting to US\$7,700,000 was settled by capitalising an amount due by the Group to Shell Electric.

The movements in the authorised and issued and fully paid share capital of the Company during the period from 2 March 2016 (date of incorporation) to 30 September 2016 are summarised as follows :

	<b>Par value</b>	<b>Number of shares</b>	<b>Amount</b>
	HK\$		HK\$'000
<b>Authorised :</b>			
Issue of shares upon incorporation ( <i>note (i)</i> )	0.10	3,800,000	380
Share Subdivision ( <i>note (iii)</i> )		34,200,000	—
Increase in authorised share capital ( <i>note (iv)</i> )	0.01	<u>3,762,000,000</u>	<u>37,620</u>
<b>At 30 September 2016</b>	0.01	<u><u>3,800,000,000</u></u>	<u><u>38,000</u></u>
	<b>Par value</b>	<b>Number of shares</b>	<b>Amount</b>
	HK\$		HK\$'000
<b>Issued and fully paid :</b>			
Issue of share upon incorporation ( <i>note (ii)</i> )	0.10	1	—
Share Subdivision ( <i>note (iii)</i> )		9	—
Issue of share under Share Swap Agreement ( <i>note (v)</i> )	0.01	<u>13,314,398</u>	<u>133</u>
<b>At 30 September 2016</b>	0.01	<u><u>13,314,408</u></u>	<u><u>133</u></u>
			US\$'000
Presented in the financial information in US\$			<u><u>17</u></u>

## 8. SHARE CAPITAL *(Continued)*

Notes:

- (i) *The Company was incorporated on 2 March 2016 with an authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each.*
- (ii) *Upon incorporation, one share was allotted and issued at par to the initial subscriber and was subsequently transferred to Mr. Yung Kwok Kee, Billy a non-executive director of the Company and the ultimate beneficial owner of Shell Electric.*
- (iii) *On 11 March 2016, each of the issued and unissued shares of the Company of a par value of HK\$0.10 each was subdivided into ten shares of par value of HK\$0.01 each (the "Share Subdivision"). Upon completion of the Share Subdivision, the authorised share capital of the Company has become HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. The initial one share of the Company held by Mr. Yung was subdivided into ten shares of HK\$0.01 each.*
- (iv) *Pursuant to the resolution passed by the shareholders of the Company on 19 September 2016, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each to HK\$38,000,000 by the creation of an additional 3,762,000,000 new shares.*
- (v) *On 19 September 2016, a share swap agreement ("Share Swap Agreement") was entered into by all the shareholders of PFC Device Holdings as vendors and the Company as purchaser pursuant to which the shareholders of PFC Device Holdings shall transfer their interest in the entire issued share capital of PFC Device Holdings to the Company. The consideration was settled by the Company allotting and issuing a total of 13,314,398 new shares to the vendors, credited as fully paid. Upon completion of the share swap, PFC Device Holdings becomes a wholly-owned subsidiary of the Company. As a result of the share swap, merger reserve of US\$578,000 has arisen. Share capital as at 30 September 2016 represents the issued share capital of the Company as at that date.*

## 9. SHARE REPURCHASE

On 19 February 2016, PFC Device Holdings entered into share repurchase agreements ("Share Repurchase Agreements") with certain shareholders who had exercised on the same date the share options of PFC Device Holdings ("PFC Share Options") granted to them in 2015 under the share option plan adopted by PFC Device Holdings (the "PFC Option Plan"). Pursuant to the Share Repurchase Agreements, subject to certain conditions, PFC Device Holdings has agreed to repurchase the shares issued upon the exercise of those PFC Share Options. The Share Repurchase Agreements create a contingent obligation on PFC Device Holdings and accordingly, the Group has recognised a financial liability of US\$553,000 in the financial statements. Such financial liability has been de-recognised during the three months ended 30 September 2016 in light of the listing of the Company's shares on GEM has become successful.

## 10. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2016:

- (a) The Company successfully listed its shares on GEM of the Stock Exchange on 7 October 2016.
- (b) On 7 October 2016, 400,000,000 ordinary shares of the Company at the placing price of HK\$0.20 per placing share were allotted and issued (the "Placing").
- (c) Upon completion of the Placing, the issue of 1,186,685,592 ordinary shares of the Company at par by the Company to the shareholders in proportion to their respective shareholdings by way of capitalising an amount of approximately HK\$11,867,000 (equivalent to approximately US\$1,530,000) from the share premium account of the Company which was approved by the shareholders of the Company on 19 September 2016 has and become unconditional (the "Capitalisation Issue").

## **BUSINESS REVIEW**

The Group is primarily engaged in the design, manufacture, and sales of power discrete semiconductors. The principal applications and core segments for its products include (1) power supply and adapters for TV, PC, laptops, (2) chargers for mobile phones, tablets, portable electronic devices, and (3) industrial and automotive power applications, etc.

The Group continues to focus on major design win of tier-1 electronic manufacturers in the core segment. The Group expanded its market share in the third quarter of 2016 with increase in revenue recorded for the period compared to the corresponding period of the prior year.

## **FINANCIAL REVIEW**

### **Revenue and Operating Results**

Revenue from the Group's continuing operations for the three quarters ended 30 September 2016 grew at a quicker pace than previous years to US\$16.9 million, representing an increase of US\$4.8 million or 40% compared to US\$12.1 million for the corresponding period last year. The boost in revenue came mainly from higher sales of the Group's Schottky products.

Profit attributable to the owners of the Company for the three quarters ended 30 September 2016 dipped from US\$0.5 million to a loss of US\$0.4 million representing a decrease of US\$0.9 million over the corresponding period last year. The plunge in profit was mainly attributable to the non-recurring listing expenses of US\$1.4 million incurred by the Group. Should these expenses not have been incurred, profit attributable to the owners of the Company for the period ended 30 September 2016 would reach approximately US\$1.0 million.

## **USE OF PROCEEDS FROM THE PLACING**

The estimated net proceeds from the Placing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$57.7 million (equivalent to approximately US\$7.4 million), which are intended to be applied in the manner as disclosed in the section "Statement of business objectives and use of proceeds" to the Prospectus. The directors had evaluated the Group's business plan and considered that, as at the date of this report, no modification of the business plan regarding the use of proceeds as described in the Prospectus was required. Since 7 October 2016, the unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong.

## DISCLOSURE OF INTERESTS

### A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

The shares of the Company (the "Shares") were listed on GEM on 7 October 2016. The Company was not required to keep any register under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as at 30 September 2016. As at 7 October 2016, interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### Long Position in the Company's Shares

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held/ interested in the Company</b>	<b>Percentage of shareholding</b>
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation (Note 1 and 2)	1,164,470,577	72.8%
Mr. Hong James Man-fai ("Mr. Hong")	Beneficial interest (Note 3)	12,531,657	0.8%
Mr. Chow Kai Chiu, David ("Mr. Chow")	Beneficial interest	2,703,838	0.2%

Notes :

1. *Mr. Yung is interested in 100% of the issued share capital of Red Dynasty Investments Limited ("Red Dynasty"). Red Dynasty holds 80.5% interest in Shell Electric. Lotus Atlantic Limited ("Lotus Atlantic") is wholly and beneficially owned by Foremost Pacific Limited ("Foremost Pacific"). Foremost Pacific is wholly and beneficially owned by Sybond Venture Limited ("Sybond Venture"), and Sybond Venture is wholly and beneficially owned by Shell Electric. Mr. Yung is therefore deemed to be interested in 1,129,603,327 Shares held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of SFO.*

2. *Include 34,867,250 Shares that are charged by the PFC option shareholders (save for Mr. Chow) to Lotus Atlantic pursuant to the share charges. Details of the PFC option shareholders and share charges are set out in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus.*
3. *Mr. Hong is the beneficial owner of 12,531,657 Shares, in which 9,573,659 Shares are charged in favour of Lotus Atlantic pursuant to the share charge effective on the 7 October 2016 and executed by Mr. Hong.*

Save as disclosed above, as at 7 October 2016, none of Directors nor chief executive of the Company has registered an interest or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As the Shares of the Company were listed on the GEM of Stock Exchange on 7 October 2016, the Company was not required to keep any register under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 September 2016. As at 7 October 2016, the interest and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows :

<b>Name of Shareholder</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/ interested in</b>	<b>Long/short position</b>	<b>Percentage of shareholding</b>
Lotus Atlantic	Beneficial owner	1,164,470,577 <i>(Note 1 and 2)</i>	Long	72.8%
Foremost Pacific	Beneficial owner	1,164,470,577 <i>(Note 1 and 2)</i>	Long	72.8%
Sybond Venture	Beneficial owner	1,164,470,577 <i>(Note 1 and 2)</i>	Long	72.8%
Shell Electric	Beneficial owner	1,164,470,577 <i>(Note 1 and 2)</i>	Long	72.8%
Red Dynasty	Beneficial owner	1,164,470,577 <i>(Note 1 and 2)</i>	Long	72.8%
Mrs. Yung	Family Interest	1,164,470,577 <i>(Note 3)</i>	Long	72.8%



Notes :

1. *Red Dynasty holds 80.5% interest in Shell Electric. Lotus Atlantic is wholly and beneficially owned by Foremost Pacific. Foremost Pacific is wholly and beneficially owned by Sybond Venture, and Sybond Venture is wholly and beneficially owned by Shell Electric. Each of these companies is therefore deemed to be interested in 1,129,603,327 Shares owned and held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.*
2. *Include 34,867,250 Shares that are charged by the PFC option shareholders (save for Mr. Chow) to Lotus Atlantic pursuant to the share charges.*
3. *These Shares represent the interest held by Lotus Atlantic which is a controlled corporation of Mr. Yung. Ms. Vivian Hsu ("Mrs. Yung") is the spouse of Mr. Yung. Under SFO, Mr. Yung is deemed to be interested in all of the Shares in which Lotus Atlantic is interested and Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is interested.*

Save as disclosed above, as at 7 October 2016 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has a share options scheme (the "Share Option Scheme") which was approved and adopted by the shareholder of the Company on 19 September 2016.

No share option has been granted under the Share Option Scheme since its adoption.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as the Share Option Scheme and PFC Device Option, at no time during the nine months ended 30 September 2016 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were there any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## **COMPETING INTERESTS**

Since 7 October 2016 to the date of this report, so far as the Directors are aware, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

## **INTEREST OF COMPLIANCE ADVISOR**

Since 7 October 2016 to the date of this report, as notified by the Company's compliance advisor, Messis Capital Limited (the "Compliance Advisor"), except for the compliance advisor agreement entered into between the Company and the Compliance Advisor dated on 29 September 2016, neither the Compliance Advisor nor any of its directors, employees or close associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Since 7 October 2016 to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising Shareholders' interests.

Since 7 October 2016 to the date of this report, the Company had complied with the code applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted a code of provisions of conduct regarding securities transactions by the Directors ("the Code of Conduct") on terms no less exacting than the required standards of dealings concerning securities transactions by the Directors as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries with the Directors, all Directors have confirmed that they have complied with the required standards set out in the Code of Conduct since the 7 October 2016 to the date of this report.

## AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) on 19 September 2016 with its written terms of reference in compliance with paragraphs C3.3 and C3.7 of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, nominate and monitor external auditors and to provide advice and comment to the Board on matters related to corporate governance. The Audit Committee consists of two independent non-executive Directors and one non-executive Director of the Company, namely Mr. Leung Man Chiu, Lawrence, Mr. Fan Yan Hok, Philip and Mr. Yung Kwok Kee, Billy. Mr. Leung Man Chiu, Lawrence currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2016.

By order of the Board

**PFC DEVICE INC.**

**CHOW Kai Chiu, David**

*Executive Director*

Hong Kong, 9 November 2016

*As at the date of this report, the executive Directors are Mr. HONG James Man-fai and Mr. CHOW Kai Chiu, David; the non-executive Directors are Mr. YUNG Kwok Kee, Billy and Mr. TANG Che Yin; and the independent non-executive Directors are Mr. LAM, Peter, Mr. LEUNG Man Chiu, Lawrence and Mr. FAN Yan Hok, Philip.*