

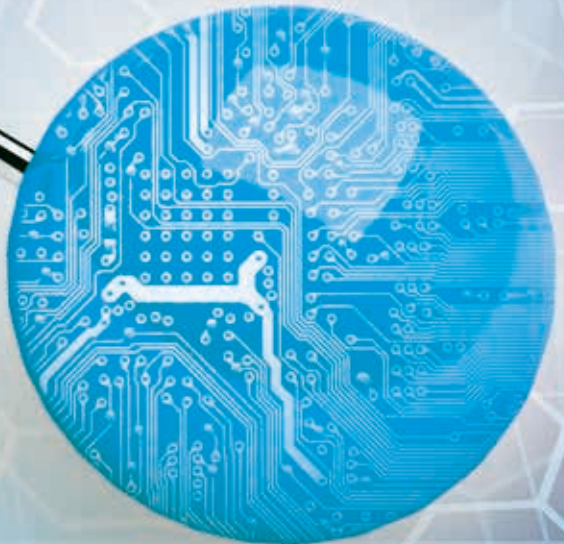


# PFC Device Inc.

## 節能元件有限公司

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

INTERIM REPORT 2019



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

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## BOARD OF DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. Yung Kwok Kee, Billy (*Chairman*)  
Mr. Tang Che Yin

### Independent Non-executive Directors

Mr. Lam, Peter  
Mr. Leung Man Chiu, Lawrence  
Mr. Fan Yan Hok, Philip

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## PRINCIPAL BANKER

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

## COMPANY SECRETARY

Ms. Lee Ka Man *ACIS ACS*

## REGISTERED OFFICE

PO Box 1350, Clifton House,  
75 Fort Street,  
Grand Cayman KY1-1108,  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUTHORISED REPRESENTATIVES

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

## COMPLIANCE OFFICER

Mr. Chow Kai Chiu, David

## AUDITOR

BDO Limited  
*Certified Public Accountants*

## COMPANY'S WEBSITE

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

## STOCK CODE

8231

## INTERIM RESULTS

The board of Directors (“**the Board**”) of the Company is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2019, together with the unaudited comparative figures for the corresponding period in 2018, as follows:

### *UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*

*For the three months and the six months ended 30 June 2019*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
<b>Revenue</b>	6	<b>4,554</b>	6,990	<b>8,044</b>	12,796
Cost of sales		<b>(3,860)</b>	(5,122)	<b>(7,098)</b>	(9,712)
<b>Gross profit</b>		<b>694</b>	1,868	<b>946</b>	3,084
Other income		<b>2</b>	136	<b>3</b>	139
Selling and distribution expenses		<b>(22)</b>	(37)	<b>(49)</b>	(67)
Administrative expenses		<b>(906)</b>	(992)	<b>(1,808)</b>	(2,169)
Other operating expenses		<b>(58)</b>	(41)	<b>(108)</b>	(79)
Finance costs		<b>(16)</b>	—	<b>(29)</b>	(1)
Other (losses)/gains		<b>(29)</b>	113	<b>32</b>	71
<b>(Loss)/Profit before income tax</b>	7	<b>(335)</b>	1,047	<b>(1,013)</b>	978
Income tax expense	8	<b>(70)</b>	(186)	<b>(75)</b>	(280)
<b>(Loss)/Profit for the period attributable to owners of the Company</b>		<b>(405)</b>	861	<b>(1,088)</b>	698
<b>Other comprehensive income Item that may be reclassified subsequently to profit or loss</b>					
Exchange difference arising from translation of overseas operations		<b>(291)</b>	(1,085)	<b>(82)</b>	(413)
<b>Total comprehensive income for the period attributable to owners of the Company</b>		<b>(696)</b>	(224)	<b>(1,170)</b>	285
		<b>US cents</b>	US cents	<b>US cents</b>	US cents
<b>(Loss)/Earnings per share</b>	10				
– Basic		<b>(0.025)</b>	0.053	<b>(0.067)</b>	0.043
– Diluted		<b>(0.025)</b>	0.053	<b>(0.067)</b>	0.043

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 US\$'000 (unaudited)	31 December 2018 US\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	7,697	8,136
Right-of-use assets		143	–
Prepayments for acquisition of property, plant and equipment		2,204	2,060
Deferred tax assets		206	213
		<u>10,250</u>	<u>10,409</u>
<b>Current assets</b>			
Inventories		6,031	6,881
Trade and other receivables, deposits and prepayments	12	4,295	4,240
Amounts due from fellow subsidiaries		2	2
Tax prepaid		18	14
Cash and bank balances		3,769	4,305
		<u>14,115</u>	<u>15,442</u>
<b>Current liabilities</b>			
Trade and other payables	13	1,662	2,151
Amounts due to fellow subsidiaries		153	170
Bank borrowing	14	600	600
Lease liabilities		145	–
Tax payable		43	8
		<u>2,603</u>	<u>2,929</u>
<b>Net current assets</b>		<u>11,512</u>	<u>12,513</u>
<b>Total assets less current liabilities/Net assets</b>		<u><u>21,762</u></u>	<u><u>22,922</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	2,085	2,085
Reserves		19,677	20,837
<b>Total equity</b>		<u><u>21,762</u></u>	<u><u>22,922</u></u>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital US\$'000	Share premium* US\$'000	Share option reserve* US\$'000	Merger reserve* US\$'000	Capital contribution* US\$'000	Translation reserve* US\$'000	Accumulated losses* US\$'000	Total equity US\$'000
<b>Six month ended 30 June 2018 (unaudited)</b>								
At 1 January 2018	2,073	20,784	236	905	1,247	370	(935)	24,680
Profit for the period	-	-	-	-	-	-	698	698
Other comprehensive income for the period								
- Exchange difference arising from translation of overseas operations	-	-	-	-	-	(413)	-	(413)
Total comprehensive income for the period	-	-	-	-	-	(413)	698	285
Transactions with owner:								
Shares issued upon exercise of option granted by the Company	6	127	(41)	-	-	-	-	92
Share-based payment expense of options granted by the Company in 2017 (Note 16)	-	-	31	-	-	-	-	31
<b>At 30 June 2018</b>	<b>2,079</b>	<b>20,911</b>	<b>226</b>	<b>905</b>	<b>1,247</b>	<b>(43)</b>	<b>(237)</b>	<b>25,088</b>
<b>Six month ended 30 June 2019 (unaudited)</b>								
At 1 January 2019	2,085	21,067	194	905	1,247	(563)	(2,023)	22,922
Loss for the period	-	-	-	-	-	-	(1,088)	(1,088)
Other comprehensive income for the period								
- Exchange difference arising from translation of overseas operations	-	-	-	-	-	(82)	-	(82)
Total comprehensive income for the period	-	-	-	-	-	(82)	(1,088)	(1,170)
Vested share options forfeited	-	-	(2)	-	-	-	2	-
Transactions with owner:								
Share-based payment expense of options granted by the Company in 2017 (Note 16)	-	-	10	-	-	-	-	10
<b>At 30 June 2019</b>	<b>2,085</b>	<b>21,067</b>	<b>202</b>	<b>905</b>	<b>1,247</b>	<b>(635)</b>	<b>(3,109)</b>	<b>21,762</b>

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Cash flows from operating activities</b>		
(Loss)/Profit before income tax	<b>(1,013)</b>	978
Total non-cash adjustments	<b>1,250</b>	608
Total working capital adjustments	<b>17</b>	(1,674)
	<hr/>	<hr/>
<b>Cash generated/(used in) operations</b>	<b>254</b>	(88)
Income tax paid	<b>(38)</b>	(14)
	<hr/>	<hr/>
<b>Net cash generated/(used in) operating activities</b>	<b>216</b>	(102)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Interest received	<b>3</b>	1
Purchase of property, plant and equipment	<b>(551)</b>	(517)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(548)</b>	(516)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Interest paid	<b>(27)</b>	(1)
Proceeds from bank borrowings	<b>1,330</b>	674
Repayment of bank borrowings	<b>(1,330)</b>	(858)
Principal paid on lease liabilities	<b>(172)</b>	–
Interest paid on lease liabilities	<b>(3)</b>	–
Proceeds from issue of shares upon exercise of the Company's share options	<b>–</b>	92
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(202)</b>	(93)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(534)</b>	(711)
<b>Cash and cash equivalents at beginning of the period</b>	<b>4,305</b>	5,573
<b>Effect of foreign exchange rate change</b>	<b>(2)</b>	(23)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>3,769</b>	4,839
	<hr/> <hr/>	<hr/> <hr/>



## 1. GENERAL INFORMATION

PFC Device Inc. (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability. The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 7 October 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 Group, comprising the Company and its subsidiaries, is principally engaged in manufacturing and sales of power discrete semiconductors.

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

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2019 have not been audited but have been reviewed by the Audit Committee, and were approved for issue by the directors on 14 August 2019.

## 2. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial information do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2018 (the “**2018 Annual Financial Statements**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

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

## 2. BASIS OF PREPARATION (Continued)

The unaudited condensed consolidated interim financial information have been prepared in accordance with the same accounting policies and methods of computation as adopted by the Group in the 2018 Annual Financial Statements except for those new or amended HKFRSs as mentioned in note 3.

In preparing the unaudited condensed consolidated interim financial information, the significant judgment made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2018 Annual Financial Statements.

## 3. ADOPTION OF NEW OR REVISED HKFRSs

### (a) Adoption of new or revised HKFRSs effective on 1 January 2019

During the current period, the Group has applied for the first time the following new standard, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2019.

HKFRS 16	Leases
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12 Income Taxes; and HKAS 23 Borrowing Costs

Save as disclosed in the changes in accounting policies for HKFRS 16 in Note 4, the adoption of the above new or revised HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

### 3. ADOPTION OF NEW OR REVISED HKFRSs (Continued)

#### (b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	Definition of Material

The Group is currently in the process of making an assessment of the impact of the new and revised HKFRSs but is not yet in a position to state whether they would have a material impact on the Group's results and financial position.

### 4. CHANGES IN ACCOUNTING POLICIES

The Group has initially adopted HKFRS 16 *Leases* from 1 January 2019. Other new or revised standards that are effective from 1 January 2019 do not have a material impact on the Group's financial statements.

HKFRS 16 replaces HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported, under HKAS 17 and related interpretations. Details of the changes in accounting policies are disclosed below.

#### (a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under HKAS 17 *Leases* and HK(IFRIC) – Int 4 *Determining Whether an Arrangement contains a Lease* ("HK(IFRIC)4"). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

## 4. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases, i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (i.e. where the lease term is 12 months or less). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (i) *Significant accounting policies*

The Group recognises right-of-use assets and lease liabilities at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

## 4. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) As a lessee (Continued)

#### (ii) Transition

On transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, if any. The weighted average incremental borrowing rate applied to the lease liabilities recognised under HKFRS 16 was 3.6%.

### (c) Impact on financial statements

On transition of HKFRS 16, the Group recognised additional right-of-use assets of US\$317,000 and additional lease liabilities of US\$317,000 on 1 January 2019 and there was no impact to the accumulated losses.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the current period, the Group recognised depreciation charges of US\$174,000 and interest costs of US\$3,000 from these leases.

## 5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's chief operating decision-maker for the purposes of resources allocation and assessment of segment performance. The Group has identified the following reportable operating segments:

Sales of power discrete semiconductors	–	This segment engages in manufacturing and sales of power discrete semiconductors
Trading of raw materials	–	This segment engages in sales of raw materials, mainly Epitaxy

Information of the operating segments of the Group reported to the chief operating decision-maker for the purposes of resources allocation and performance assessment does not include assets and liabilities. Accordingly, no information of segment assets and liabilities is presented.

## 5. SEGMENT INFORMATION (Continued)

	Sales of power discrete semiconductors US\$'000	Trading of raw materials US\$'000	Total US\$'000
<b>Six months ended 30 June 2019</b>			
<b>(unaudited)</b>			
Reportable segment revenue	<u>7,694</u>	<u>350</u>	<u>8,044</u>
Reportable segment profit	<u>816</u>	<u>130</u>	946
Corporate and unallocated income			3
Corporate and unallocated expenses			
– Employee costs			(1,245)
– Depreciation of right-of-use assets			(131)
– Rental payments in respect of properties under operating leases			(21)
– Finance costs			(29)
– Others			<u>(536)</u>
Loss before income tax			<u>(1,013)</u>

## 5. SEGMENT INFORMATION (Continued)

	Sales of power discrete semiconductors US\$'000	Trading of raw materials US\$'000	Total US\$'000
<b>Six months ended 30 June 2018</b>			
<b>(unaudited)</b>			
Reportable segment revenue	11,212	1,584	12,796
Reportable segment profit	2,297	787	3,084
Corporate and unallocated income			139
Corporate and unallocated expenses			
– Employee costs			(1,481)
– Rental payments in respect of properties under operating leases			(143)
– Finance costs			(1)
– Others			(620)
Profit before income tax			978

## 6. REVENUE

The Group is principally engaged in manufacturing and sales of power discrete semiconductors. Revenue from contracts with customers within the scope of HKFRS 15, which is recognised at a point in time comprise:

	Three months ended 30 June		Six months ended 30 June	
	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
Sales of power discrete semiconductors	4,435	6,178	7,694	11,212
Trading of raw materials	119	812	350	1,584
	<b>4,554</b>	<b>6,990</b>	<b>8,044</b>	<b>12,796</b>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Profit before income tax is arrived after charging/(crediting):				
Write down/(Reversal of write down) of inventories to net realisable value	43	(185)	242	(118)
Depreciation of property, plant and equipment	412	431	830	878
Depreciation of right-of-use assets	174	–	174	–
Employee benefit expenses (including directors' emoluments)				
– Salaries, wages and other benefits	808	973	1,606	2,005
– Contribution to defined contribution retirement plans	45	58	94	118
– Equity settled share-based payment expense (note 16)	4	14	10	31
	<u>857</u>	<u>1,045</u>	<u>1,710</u>	<u>2,154</u>



## 8. INCOME TAX EXPENSE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Current tax</b>				
– Other regions of the People's Republic of China (“PRC”)				
– Enterprise Income Tax (“EIT”)	59	2	59	2
– Taiwan profits tax	–	159	–	213
	<u>59</u>	<u>161</u>	<u>59</u>	<u>215</u>
<b>Under provision in prior year</b>				
– Other regions of the PRC				
– EIT	2	–	2	–
– Taiwan profits tax	8	–	8	–
	<u>10</u>	<u>–</u>	<u>10</u>	<u>–</u>
Deferred tax	<u>1</u>	<u>25</u>	<u>6</u>	<u>65</u>
Income tax expense	<u><b>70</b></u>	<u>186</u>	<u><b>75</b></u>	<u>280</u>

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits derived from Hong Kong. Profits tax arising from operations in Taiwan is calculated at 20% (2018: 20%) on the estimated assessable profits for the period. EIT arising from other regions of the PRC is calculated at 25% (2018: 25%) on the estimated assessable income for the period.

## 9. DIVIDEND

The Board does not declare the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## 10. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>(Loss)/Earnings</b>				
(Loss)/Profit for the period attributable to owners of the Company	<b>(405)</b>	861	<b>(1,088)</b>	698

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Number of shares</b>				
Weighted average number of ordinary shares in issue during the period	<b>1,618,032</b>	1,609,619	<b>1,618,032</b>	1,609,034

The calculation of the basic earnings per share for the three months and the six months ended 30 June 2018 is based on the profits attributable to owners of the Company of US\$861,000 and US\$698,000, and the weighted average number of ordinary shares of 1,609,619,000 and 1,609,034,000 shares in issue during the respective periods.

## 10. (LOSS)/EARNINGS PER SHARE (Continued)

The calculation of the basic loss per share for the three months and the six months ended 30 June 2019 is based on the loss attributable to owners of the Company of US\$405,000 and US\$1,088,000, and the weighted average number of ordinary shares of 1,618,032,000 in issue during the respective periods.

Diluted earnings per share for the three months and the six months ended 30 June 2018 are calculated by dividing the Group's profit for the respective periods attributable to owners of the Company by the weighted average number of ordinary shares for the purposes of calculating the basic earnings per share of 1,609,619,000 and 1,609,034,000 shares respectively, after adjustment for the potential dilutive effect in the potential ordinary shares to be issued on the exercise of the share options granted by the Company on 22 March 2017 of 14,444,000 and 11,648,000 shares respectively.

Diluted loss per share for the three months and the six months ended 30 June 2019 are the same as the basic loss per share as the impact of the potential dilutive ordinary shares outstanding which are the share options granted by the Company on 22 March 2017 has an anti-dilutive effect on the basic loss per share presented for the respective periods.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of approximately US\$404,000 (Six months ended 30 June 2018: US\$1,030,000). Such additions are mainly comprised of moulds, tools and machineries of US\$357,000 (Six months ended 30 June 2018: US\$1,000,000).

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

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
Trade receivables	<b>3,910</b>	4,050
Less: Provision for impairment	—	—
	<hr/>	<hr/>
Trade receivables, net	<b>3,910</b>	4,050
Other receivables	<b>169</b>	42
Deposits and prepayments	<b>216</b>	148
	<hr/>	<hr/>
	<b>4,295</b>	4,240
	<hr/> <hr/>	<hr/> <hr/>

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

The Group has assessed that the expected credit loss rate was not significant as at 30 June 2019. Accordingly, no loss allowance for trade receivables was recognised.

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

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
0 to 30 days	<b>1,518</b>	1,611
31 to 60 days	<b>1,477</b>	1,437
61 to 90 days	<b>740</b>	628
Over 90 days	<b>175</b>	374
	<hr/>	<hr/>
	<b>3,910</b>	4,050
	<hr/> <hr/>	<hr/> <hr/>

### 13. TRADE AND OTHER PAYABLES

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
Trade payables	<b>852</b>	1,051
Other payables and accruals	<b>810</b>	1,100
	<b>1,662</b>	2,151

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

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

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
0 to 30 days	<b>521</b>	594
31 to 60 days	<b>263</b>	394
61 to 90 days	<b>62</b>	57
Over 90 days	<b>6</b>	6
	<b>852</b>	1,051

## 14. BANK BORROWING

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
<b>Current Liabilities</b>		
Bank loan subject to repayment on demand clause and due for repayment within one year	<u>600</u>	<u>600</u>
	<b><u>600</u></b>	<b><u>600</u></b>

The above bank loan is unsecured except for the corporate guarantee provided by the Company, denominated in US\$ and bearing interest at London Inter-Bank Offered Rate plus certain margin. The annual interest rates of the Group's bank loan as at 30 June 2019 was 3.70% (31 December 2018: 3.60%).

## 15. SHARE CAPITAL

	<b>Par value HK\$</b>	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
<b>Authorised</b>			
<b>At 31 December 2018 and 30 June 2019</b>	0.01	<u>3,800,000,000</u>	<u>38,000</u>
<b>Issued and fully paid:</b>			
<b>At 1 January 2018</b>	0.01	1,608,420,000	16,084
Shares issued upon exercise of the options granted by the Company in 2017 (note)	0.01	<u>9,612,277</u>	<u>96</u>
<b>At 31 December 2018 (audited) and at 30 June 2019 (unaudited)</b>	0.01	<b><u>1,618,032,277</u></b>	<b><u>16,180</u></b>

## 15. SHARE CAPITAL (Continued)

	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>US\$'000</b>	US\$'000
	<b>(unaudited)</b>	(audited)
Presented in the financial statements in US\$	<b>2,085</b>	2,085

Note:

During the year ended 31 December 2018, a total of 9,612,277 ordinary shares with a par value of HK\$0.01 each were issued as a result of the exercise of the share options granted by Company at an aggregate consideration of approximately US\$202,000. As a result of this, the share capital of the Company has increased by US\$12,000, an amount of US\$93,000 was debited to share option reserve and the balance of US\$283,000 was credited to share premium account.

## 16. SHARE-BASED PAYMENT ARRANGEMENTS

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

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

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

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

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

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

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

During the six months ended 30 June 2019, share-based payment expense of US\$10,000 (six month ended 30 June 2018: US\$31,000) was charged to profit or loss.



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

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

Grantee	Date of grant	Exercise price HK\$	Numbers of options			
			As at 1 January 2019	Exercised	Forfeited	As at 30 June 2019
<b>Directors</b>						
Mr. Hong James Man-Fai	22 March 2017	0.165	5,408,343	-	-	5,408,343
Mr. Tang Che Yin	22 March 2017	0.165	2,800,000	-	-	2,800,000
<b>Other employees</b>	22 March 2017	0.165	10,059,821	-	260,000	9,799,821
<b>Consultants</b>	22 March 2017	0.165	1,960,000	-	-	1,960,000
			<b>20,228,164</b>	<b>-</b>	<b>260,000</b>	<b>19,968,164</b>

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

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

During the six months ended 30 June 2019, options to subscribe for 260,000 shares were forfeited upon the resignation of the employees of the Group.

As at 30 June 2019, there were 19,968,164 shares issuable under outstanding share options granted under PFC Device Option Scheme. The weighted average remaining contractual life of these options was 7.75 years. Out of the total options outstanding as at 30 June 2019, options to subscribe for 16,636,466 shares vested and were exercisable by the grantees by giving notice in writing to the Company. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of additional 19,968,164 shares of the Company.

No option was granted during the period.

## 17. CAPITAL COMMITMENTS

	<b>30 June 2019 US\$'000 (unaudited)</b>	31 December 2018 US\$'000 (audited)
Commitments for acquisition of property, plant and equipment		
– Contracted for but not provided	<b>210</b>	<b>395</b>

## 18. RELATED PARTY TRANSACTIONS

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

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

Name	Related party relationship	Type of transaction	Transaction amount	
			Six months ended 30 June 2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
Shell Electric	Ultimate holding company	Rental and building management fee charged by the related party for office premises	16	16
SMC Electric (HK) Limited	Fellow subsidiary	Sales of finished goods to related party	9	–
SMC Multi-Media Trading Company Limited	Fellow subsidiary	Sales of finished goods to related party	–	9
佛山市順德區鏡華多媒體製品有限 公司 (Foshan Shunde SMC Multi- Media Products Company Limited* ("Shunde Multi-Media"))	Fellow subsidiary	Rental and building management fee charged by the related party for production workshop with office facilities and staff dormitory	77	83
Shunde Multi-Media	Fellow subsidiary	Fee charged by the related party for provision of catering services	2	2
迅速資產管理(深圳)有限公司 (Xun Su Asset Management (Shenzhen) Limited*)	Fellow subsidiary	Rental charged by the related party for office premises and staff dormitory	46	28

\* for identification purposes only

The transactions were conducted on mutually agreed terms.

## 18. RELATED PARTY TRANSACTIONS (Continued)

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

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

	Six months ended 30 June	
	2019	2018
	US\$'000	US\$'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefits	156	253
Share-based payment expense	4	22
Contributions to defined contribution retirement plan	3	5
	<hr/>	<hr/>
	<b>163</b>	<b>280</b>
	<hr/> <hr/>	<hr/> <hr/>

## BUSINESS REVIEW

In the first half of this financial year, the business operations of the Group continued to experience the slowdown in the global semiconductor industry and the impact of US-China trade tension. During the period, the Group principally derived its revenue from the sales of power discrete semiconductors, which dropped by 31% to US\$7.7 million compared to the corresponding period last year.

The Group and its distribution channel has been plagued by high inventory levels due to weak demand. To cope with the tough market situation, the Group has focused on reducing its inventories in the first half of 2019. By placing purchase orders under shorter buffer stock balance criteria, the inventories went down by 8%. We expect to further reduce our inventories in the third quarter of 2019.

Looking at the second half of 2019, the semiconductor market forecasts are generally conservative, being impacted by a number of factors such as a weaker pricing environment combined with the US-China trade war and lower growth in major applications, including smartphone, servers and PCs.

## FINANCIAL REVIEW

### Revenue and Operating Results

Revenue from the Group's operations for the six months ended 30 June 2019 amounted to US\$8 million, representing an decrease of US\$4.8 million or 38% as compared to US\$12.8 million for the corresponding period in 2018. Such decrease was primarily attributable to a decrease in sales of power discrete semiconductors, as well as the decline in trading of raw materials.

The Group's gross profit for the six months ended 30 June 2019 amounted US\$1 million, representing a decrease of US\$2.1 million as compared to US\$3.1 million for the corresponding period in 2018. The gross profit margin for the six months ended 30 June 2019 was 11.8%, representing a decrease of 12.3 percentage points compared to 24.1% for the corresponding period in 2018. The decrease in the Group's gross profit margin was mainly due to higher manufacturing overhead per unit as a result of the drop in sales volume and additional inventories write down. Management has been actively addressing cost control measures, factory headcounts and electricity has significantly been reduced to align with manufacturing output and needs. However, since the factory is underloaded at around 55%, depreciation per unit has significantly increased, resulting in higher manufacturing cost.

Loss attributable to the owners of the Company for the six months ended 30 June 2019 was US\$1.1 million (six months ended 30 June 2018: profit of US\$0.7 million). The change from profit to loss was mainly attributable to a decrease of gross profit as mentioned above, offset by the decrease in administrative expenses due to a better control of staff costs and lower professional fees for the period.

## Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2019, the Group had a total cash and bank balances of approximately US\$3.8 million (31 December 2018: US\$4.3 million) which is mainly denominated in United States Dollars.

The banking borrowings of the Group are bearing interest at floating interest rates.

The capital of the Group comprises only ordinary shares. As at 30 June 2019, there were 1,618,032,277 ordinary shares in issue. There has been no change in the Company's capital structure since the date of listing and up to the date of this report.

## Foreign Exchange Exposure

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

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

## Gearing Ratio

The Group targets to maintain a gearing ratio to be in line with expected changes in economic and financial conditions, expressed as a percentage of total bank borrowings net of cash and bank balances to total equity of the Group. The gearing ratio of the Group as at 30 June 2019 was nil (31 December 2018: nil) as the Group had net cash balances at the respective period end.

## Capital Commitments

As at 30 June 2019, the Group had total capital commitments of approximately US\$0.2 million (31 December 2018: US\$0.4 million) for the acquisition of property, plant and equipment.

## Capital Expenditure

The Group had capital expenditures totalling US\$0.5 million for the six months ended 30 June 2019 (six months ended 30 June 2018: US\$0.5 million) for the acquisition of property, plant and equipment.

## Contingent Liabilities

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: nil).

## Segment Information

Segment information for the Group is presented as disclosed on note 5 to the unaudited condensed consolidated financial information.

## Significant Investments/Material Acquisitions and Disposal

During the six months ended 30 June 2019, the Group had not made any significant investments or material acquisitions and disposal of subsidiaries.

## Employees and Remuneration Policies

As at 30 June 2019, the Group had 136 employees (31 December 2018: 165). The pay levels of these employees are commensurate with their responsibilities, performance and market condition. In addition, share option schemes are put in place as a longer term incentive to align interests of employees to those of shareholders.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2019, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions in the shares (the "Shares"), underlying Shares and debentures of the Company and/or any of its associated corporations (which has the same meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules:

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

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in the Company	Percentage of shareholding as at 30 June 2019
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation (Notes 1 and 2)	944,621,528	58.38%
Mr. Hong James Man-fai ("Mr. Hong")	Beneficial interest	9,071,657	0.56%
Mr. Chow Kai Chiu, David ("Mr. Chow")	Beneficial interest	2,703,838	0.17%

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 Holdings Limited ("Shell Electric"). Lotus Atlantic Limited ("Lotus Atlantic") is wholly and beneficially owned by Sybond Venture Limited ("Sybond Venture"), and Sybond Venture is wholly and beneficially owned by Shell Electric. Mr. Yung is therefore deemed to be interested in 937,103,327 Shares held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.
2. 7,518,201 Shares that are charged by a shareholder to Lotus Atlantic pursuant to the share charges.

## II. Long Position in the underlying Shares

Name of Director	Capacity	Number of underlying Shares held	Percentage of shareholding as at 30 June 2019
Mr. Hong	Beneficial interest	5,408,343 (Note 1)	0.33%
Mr. Tang Che Yin ("Mr. Tang")	Beneficial interest	2,800,000 (Note 2)	0.17%

Notes:

1. *These underlying Shares represent 5,408,343 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Hong on 22 March 2017 pursuant to the share option scheme of the Company adopted on 19 September 2016 under which the said options can be exercised by Mr. Hong from 1 April 2017 to 31 March 2027 (both days inclusive) at the exercise price of HK\$0.165 per Share.*
2. *These underlying Shares represent 2,800,000 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Tang on 22 March 2017 pursuant to the share option scheme of the Company adopted on 19 September 2016 under which the said options can be exercised by Mr. Tang from 1 April 2017 to 31 March 2027 (both days inclusive) at the exercise price of HK\$0.165 per Share.*

Save as disclosed above, as at 30 June 2019, none of Directors nor chief executive of the Company and/or any of their respective associates has registered an interest or short positions in the Shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.



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

As at 30 June 2019, the interest and short positions of the person (other than the interest of the Directors or chief executive of the Company as disclosed above) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity/nature of interest	Number of Shares held/interested in	Long/short position	Percentage of share holding as at 30 June 2019
Lotus Atlantic	Beneficial owner	944,621,528 <i>(Notes 1 and 2)</i>	Long	58.38%
Sybond Venture	Interest in a controlled corporation	944,621,528 <i>(Notes 1 and 2)</i>	Long	58.38%
Shell Electric	Interest in a controlled corporation	944,621,528 <i>(Notes 1 and 2)</i>	Long	58.38%
Red Dynasty	Interest in a controlled corporation	944,621,528 <i>(Notes 1 and 2)</i>	Long	58.38%
Ms. Vivian Hsu	Family interest	944,621,528 <i>(Note 3)</i>	Long	58.38%

Notes:

- Red Dynasty holds 80.5% interest in Shell Electric. Lotus Atlantic 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 937,103,327 Shares owned and held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.*
- 7,518,201 Shares are charged by a shareholder to Lotus Atlantic pursuant to the share charges.*
- These Shares represent the interest held by Lotus Atlantic which is a controlled corporation of Mr. Yung. Ms. Vivian Hsu ("**Mrs. Yung**") is the spouse of Mr. Yung. Under the SFO, Mr. Yung is deemed to be interested in all of the Shares owned by Lotus Atlantic and Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is interested.*

Save as disclosed above, as at 30 June 2019 and so far as known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Companies and its Associated Corporations" above, had notified the Company of an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company pursuant Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has a share option scheme (the “**PFC Device Option Scheme**”) which was approved and adopted pursuant to the written resolutions on 19 September 2016. The terms of the PFC Device Option Scheme are in accordance with Chapter 23 of the GEM Listing Rules. Particulars of the PFC Device Option Scheme and the movements of share options during the period are set out in note 16 to the unaudited condensed consolidated financial information.

## DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## COMPETING INTERESTS

Save as disclosed in the paragraph headed “Compliance of Non-Competition Undertaking” on pages 54-55 of the 2018 annual report, during the six months ended 30 June 2019, so far as the Directors are aware, none of the Directors, the controlling shareholders and substantial shareholders, neither themselves nor their respective associates (as defined in the GEM Listing Rules) had held any position or had interest in any businesses or companies that were or might be materially competing with the business of the Group, or gave rise to any concern regarding conflict of interests.

## PURCHASE, SALES OF REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the continuing growth of the Group and for safeguarding and maximising shareholders’ interests. During the six months ended 30 June 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 of the GEM Listing Rules.

## DIVIDEND

The Board does not declare the payment of interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the “**Code of Conduct**”). The Company has made specific enquiries to the Directors, and all Directors have confirmed that they have fully complied with the required standards of dealings set out in the Code of Conduct throughout the six months ended 30 June 2019.

## AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) consists of two independent non-executive Directors and one non-executive Director of the Company, namely Mr. Leung Man Chiu, Lawrence (chairman of the Audit Committee), Mr. Fan Yan Hok, Philip and Mr. Yung Kwok Kee, Billy, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the Group’s financial information for the six months ended 30 June 2019 and this report.

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

Hong Kong, 14 August 2019

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