



PFC Device Inc.

節能元件有限公司

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

THIRD QUARTERLY 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.*

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 (hereinafter collectively referred to as the “Group”) for the nine months ended 30 September 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 nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
Revenue	3	4,781	5,994	12,825	18,790
Cost of sales		(3,967)	(5,225)	(11,065)	(14,937)
Gross profit		814	769	1,760	3,853
Other income		4	10	7	149
Selling and distribution expenses		(32)	(37)	(81)	(104)
Administrative expenses		(839)	(1,167)	(2,647)	(3,336)
Other operating expenses		(45)	(42)	(153)	(121)
Finance costs		(7)	(1)	(36)	(2)
Other (losses)/gains		8	(28)	40	43
(Loss)/Profit before income tax	4	(97)	(496)	(1,110)	482
Income tax credit/(expense)	5	17	(15)	(58)	(295)
(Loss)/Profit for the period attributable to owners of the Company		(80)	(511)	(1,168)	187
Other comprehensive income Item that may be reclassified subsequently to profit or loss					
Exchange difference arising from translation of overseas operations		(395)	(529)	(477)	(942)
Total comprehensive income for the period attributable to owners of the Company		(475)	(1,040)	(1,645)	(755)
		US cents	US cents	US cents	US cents
(Loss)/Earnings per share	7				
– Basic		(0.005)	(0.032)	(0.072)	0.012
– Diluted		(0.005)	(0.032)	(0.072)	0.012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	Share capital	Share premium	Share option reserve	Merger reserve	Capital contribution	Translation reserve	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Nine months ended 30 September 2018								
(unaudited)								
At 1 January 2018	2,073	20,784	236	905	1,247	370	(935)	24,680
Profit for the period	–	–	–	–	–	–	187	187
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	–	–	–	–	–	(942)	–	(942)
Total comprehensive income for the period	–	–	–	–	–	(942)	187	(755)
Transactions with owner:								
Shares issued upon exercise of option granted by the Company	12	283	(93)	–	–	–	–	202
Share-based payment expense of options granted by the Company in 2017	–	–	45	–	–	–	–	45
At 30 September 2018	<u>2,085</u>	<u>21,067</u>	<u>188</u>	<u>905</u>	<u>1,247</u>	<u>(572)</u>	<u>(748)</u>	<u>24,172</u>
Nine months ended 30 September 2019								
(unaudited)								
At 1 January 2019	2,085	21,067	194	905	1,247	(553)	(2,023)	22,922
Loss for the period	–	–	–	–	–	–	(1,168)	(1,168)
Other comprehensive income for the period								
– Exchange difference arising from translation of overseas operations	–	–	–	–	–	(477)	–	(477)
Total comprehensive income for the period	–	–	–	–	–	(477)	(1,168)	(1,645)
Vested share options forfeited	–	–	(2)	–	–	–	2	–
Transactions with owner:								
Share-based payment expense of options granted by the Company in 2017	–	–	12	–	–	–	–	12
At 30 September 2019	<u>2,085</u>	<u>21,067</u>	<u>204</u>	<u>905</u>	<u>1,247</u>	<u>(1,030)</u>	<u>(3,189)</u>	<u>21,289</u>

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 nine months ended 30 September 2019 have not been audited but have been reviewed by the Audit Committee, and were approved for issue by the directors on 14 November 2019.

2. BASIS OF PREPARATION

Except for the adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning 1 January 2019, the accounting policies applied in preparing these unaudited condensed consolidated financial information for the nine months ended 30 September 2019 are consistent with those of the annual financial statements. The unaudited condensed consolidated financial information 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 HKFRSs.

2. BASIS OF PREPARATION (Continued)

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

Except for HKFRS 16, the adoption of the above new or revised HKFRSs in the current period has no material impact on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

The Group has initially adopted HKFRS16 *Leases* from 1 January 2019. 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.

2. BASIS OF PREPARATION (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) and leases of low value. 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 the lease payments 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.

(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%.

2. BASIS OF PREPARATION (Continued)

(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 recognised depreciation and interest costs, instead of operating lease expense. During the current period, the Group recognised depreciation charges of US\$259,000 and interest costs of US\$4,000 from these leases.

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

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

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

3. 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		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of power discrete semiconductors	4,703	5,516	12,397	16,728
Trading of raw materials	78	478	428	2,062
	<u>4,781</u>	<u>5,994</u>	<u>12,825</u>	<u>18,790</u>

4. (LOSS)/PROFIT BEFORE INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
(Loss)/Profit before income tax is arrived after charging:				
Write down of inventories to net realisable value	84	384	326	266
Depreciation of property, plant and equipment	411	407	1,241	1,285
Depreciation of right-of-use assets	85	–	259	–
Employee benefit expenses (including directors' emoluments)				
– Salaries, wages and other benefits	764	1,020	2,370	3,025
– Contribution to defined contribution retirement plans	41	56	135	174
– Equity settled share-based payment expense	2	14	12	45
	807	1,090	2,517	3,244

5. INCOME TAX CREDIT/EXPENSE

The amount of income tax (credit)/expense in the unaudited condensed consolidated statement of comprehensive income represents:

	Three months ended 30 September		Nine months ended 30 September	
	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)	2019 US\$'000 (unaudited)	2018 US\$'000 (unaudited)
Current tax				
– Other regions of the People’s Republic of China (“PRC”)				
– Enterprise Income Tax (“EIT”)	(1)	15	58	17
– Taiwan profits tax	–	74	–	287
	(1)	89	58	304
Under provision in prior year				
– Other regions of the PRC				
– EIT	(1)	–	1	–
– Taiwan profits tax	–	–	8	–
	(1)	–	9	–
Deferred tax credit	(15)	(74)	(9)	(9)
Income tax (credit)/expense	(17)	15	58	295

Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits derived from Hong Kong for the period. Profits tax arising from the 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.

6. DIVIDEND

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

7. (LOSS)/EARNINGS PER SHARE

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

Three months ended 30 September		Nine months ended 30 September	
2019	2018	2019	2018
US\$'000	US\$'000	US\$'000	US\$'000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

(Loss)/Earnings

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

(80)	(511)	(1,168)	187
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Three months ended 30 September		Nine months ended 30 September	
2019	2018	2019	2018
Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
(unaudited)	(unaudited)	(unaudited)	(unaudited)

Number of shares

Weighted average number
of ordinary shares in issue
during the period

1,618,032	1,616,271	1,618,032	1,611,473
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The calculation of the basic loss per share for the three months ended 30 September 2019 is based on the loss attributable to owners of the Company of US\$80,000 (2018: loss of US\$511,000) and the weighted average number of ordinary shares in issue during the three months ended 30 September 2019 was 1,618,032,000 shares (2018: 1,616,271,000 shares).

7. (LOSS)/EARNINGS PER SHARE (Continued)

The calculation of the basic loss/earnings per share for the nine months ended 30 September 2019 is based on the loss attributable to owners of the Company of US\$1,168,000 (2018: profit of US\$187,000) and the weighted average number of ordinary shares in issue during the nine months ended 30 September 2019 was 1,618,032,000 shares (2018: 1,611,473,000 shares).

Diluted loss per share for the three months ended 30 September 2018 is 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 during the period.

Diluted earnings per share for the nine months ended 30 September 2018 is calculated by dividing the Group's profit 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 1,611,473,000 shares, 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 7,513,000 shares.

Diluted loss per share for the three months and the nine months ended 30 September 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Due to the ongoing US-China trade dispute and the global semiconductor down cycle, the Group's business operation has faced immense downward pressure in 2019. For the nine months ended 30 September 2019, the Group's revenue derived from the sales of power discrete semiconductors decreased by 25.9% compared with the corresponding period of last year. Third quarter comparisons to last year recorded a decline of 14.7%. However, third quarter revenue increased by 6% compared to second quarter of 2019.

In response to the challenging market condition, the Group had focused on reducing its inventory level in the first half of 2019 and implement strict control on the inventory level and closely monitored the customer needs before placing purchases orders. With the continuous effect of the Group's management, the overall inventory level as at 30 September 2019 was further reduced by 19% as compared to the second quarter 2019 and strive to maintain a healthy inventory portfolio.

Looking ahead, we are cautious to the recovery prospects of the semiconductor market as the global trade conditions remain uncertain due to the ongoing US-China trade dispute.

FINANCIAL REVIEW

Revenue and Operating Results

Revenue from the Group's operations for the nine months ended 30 September 2019 amounted to US\$12.8 million, representing a decrease of US\$6 million or 32% as compared to US\$18.8 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 nine months ended 30 September 2019 amounted to US\$1.8 million, representing a decrease of US\$2.1 million as compared to US\$3.9 million for the corresponding period in 2018. The gross profit margin for the nine months ended 30 September 2019 was 13.7%, representing a decrease of 6.8% compared to 20.5% 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.

Loss attributable to the owners of the Company for the nine months ended 30 September 2019 was US\$1.2 million (nine months ended 30 September 2018: profit US\$0.19 million). The change from profit to loss was mainly attributable to a decrease of gross profit as mentioned above, partly offset by the decrease in administrative expenses due to a better control of staff costs and lower professional fees for the period.

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 September 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 corporation (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 September 2019
Mr. Yung Kwok Kee, Billy ("Mr. Yung")	Interest in a controlled corporation (Note)	949,127,925	58.65%
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%

Note:

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 949,127,925 Shares held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.

II. Long Position in the underlying Shares

Name of Director	Capacity	Number of underlying Shares held	Percentage of shareholding as at 30 September 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 September 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 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 September 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 shareholding as at 30 September 2019
Lotus Atlantic	Beneficial owner	949,127,925 (Note 1)	Long	58.65%
Sybond Venture	Interest in a controlled corporation	949,127,925 (Note 1)	Long	58.65%
Shell Electric	Interest in a controlled corporation	949,127,925 (Note 1)	Long	58.65%
Red Dynasty	Interest in a controlled corporation	949,127,925 (Note 1)	Long	58.65%
Ms. Vivian Hsu	Family interest	949,127,925 (Note 2)	Long	58.65%

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 949,127,925 Shares owned and held by Lotus Atlantic which is an indirect wholly-owned subsidiary of Shell Electric for the purpose of the SFO.*
- These Shares represent the interest held by Lotus Atlantic which is a controlled corporation of Mr. Yung. Ms. Vivian Hsu ("**Mrs. Yung**") is the spouse of Mr. Yung. Under the SFO, Mr. Yung is deemed to be interested in all of the Shares owned by Lotus Atlantic and Mrs. Yung is deemed to be interested in all the Shares in which Mr. Yung is interested.*

Save as disclosed above, as at 30 September 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

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.

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, senior management, 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 to its employees.

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 30 September 2019
			As at 1 January 2019	Exercised	Forfeited	
Directors						
Mr. Hong	22 March 2017	0.165	5,408,343	–	–	5,408,343
Mr. Tang	22 March 2017	0.165	2,800,000	–	–	2,800,000
Other employees	22 March 2017	0.165	10,059,821	–	260,000	9,799,821
Consultants	22 March 2017	0.165	1,960,000	–	–	1,960,000
			20,228,164	–	260,000	19,968,164

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 nine months ended 30 September 2019, options to subscribe for 260,000 shares were forfeited upon the resignation of an employee of the Group.

As at 30 September 2019, there were 19,968,164 shares issuable under outstanding share options granted under PFC Device Option Scheme. The weighted average remaining contractual life was 7.5 years. Out of the total options outstanding as at 30 September 2019, options to subscribe for 17,928,266 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 or exercised during the period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the nine months ended 30 September 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 nine months ended 30 September 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, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 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 nine months ended 30 September 2019, the Company had 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard set out in the 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 complied with the required standards of dealings set out in the Code of Conduct throughout the nine months ended 30 September 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 nine months ended 30 September 2019 and this report.

By order of the Board
PFC DEVICE INC.
CHOW Kai Chiu, David
Executive Director

Hong Kong, 14 November 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.