



- b) the confirmation by the Court pursuant to section 15 of the Companies Act of the intended reduction of the issued capital of the Company upon cancellation of the Shares other than those (if any) held by the Offeror (the "**Scheme Shares**") (the "**Capital Reduction**") on the Scheme Effective Date for every Scheme Share so cancelled and, in consideration thereof, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$1.40 in cash for each Scheme Share. The total consideration payable for the cancellation of the Scheme Shares will be payable by the Offeror; and
- c) the confirmation by the Court of the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new Shares in the same number as the Scheme Shares (which were cancelled) to the Offeror (or its wholly owned subsidiary) credited as fully paid out of the credit arising in the Company's books of account as a result of the Capital Reduction.

## THE COMPANY

- 2. The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 March 2016. The Company is engaged in the business of manufacturing and selling power discrete semiconductors under its own "PFC" brand into the Greater China area, and other Asian regional markets
- 3. The registered office of the Company is situated at Ocorian Trust (Cayman) Limited, Windward 3 Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, the Cayman Islands.
- 4. The objects for which the Company was established are unrestricted and include without limitation those objects set forth in the memorandum of association of the Company.
- 5. Shortly after its incorporation the Company commenced and has since continued to carry on business.
- 6. The Company has been listed on the Growth Enterprise Market ("**GEM**") Board of the Stock Exchange of Hong Kong Limited (the "**HKEX**") since 7 October 2016.

**BACKGROUND**

7. The original authorised share capital of the Company was HK\$38,000,000.00 consisting of 3,800,000,000 shares of HK\$0.01 each.
8. On 27 May 2021, pursuant to a shareholders' resolution at an Extraordinary General Meeting on 25 May 2021, the Company implemented a share consolidation on the basis that every twenty (20) issued and unissued existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.20 each (the "**Share Consolidation**").
9. As at the Latest Practicable Date, the authorised share capital of the Company was HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.20 each, and the Company had 121,352,419 Shares in issue.
10. As at the Latest Practicable Date, the Offeror held in 85,105,625 Shares, representing approximately 70.1% of the issued share capital of the Company. The Offeror Concert Parties, who are also Scheme Shareholders (as applicable), held in aggregate 588,773 Shares and 426,012 Options, approximately 0.5% of the issued share capital of the Company and 62.3% of the outstanding Options, and such Shares and Option Shares if exercised will form part of the Scheme Shares. However, such Shares will not constitute the Disinterested Scheme Shares and therefore will not be voted on the Scheme at the Court Meeting. Thus, the Disinterested Scheme Shares, comprising [35,658,021] Shares, represent approximately [29.4]% of the issued share capital of the Company.
11. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) assuming full conversion of the Options prior to the Record Date; and (iii) assuming full conversion of the Options and upon the Scheme becoming effective:

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

Notes:

- 11.1. The Offeror is wholly-owned by Sybond Venture Limited which is directly wholly-owned by Shell Holdings. Shell Holdings is held as to 80.55% by Mr. Yung through his wholly-owned company Red Dynasty Investments Limited.
- 11.2. Mr. Tang is a non-executive Director of the Company and one of the directors of the Offeror, and shall become a Scheme Shareholder if Options held by him are converted into Shares on or prior to the Record Date.
- 11.3. Mr. Chow is an executive Director of the Company and one of the directors of the Offeror, and a Scheme Shareholder.

THIS PETITION was filed by Travers Thorp Alberga, Attorneys-at-Law for the Petitioner, whose address for service is Harbour Place, 2nd Floor, PO Box 472, 103 South Church Street, Grand Cayman, KY1-1106, Cayman Islands. (Ref: P1307-003)

- 11.4. Mr. Hong is an executive Director and the chief executive officer of the Company and is presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code. Mr. Hong is a Scheme Shareholder.
- 11.5. Scheme Shares comprise Share(s) other than those held by the Offeror, as defined in the Scheme contained within the Scheme Document at page 12, which are exhibited to the affidavit of David Chow at page 55.
- 11.6. Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares. On the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be reduced by the amount of the Scheme Shares cancelled. Forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue at par to the Offeror, credited as fully paid, of the same number of Shares as the number of the Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the new Shares so issued to the Offeror.

**Reasons for and Benefits of the Proposal - The Proposal will allow the Company more freedom for implementing its long-term growth strategy**

12. The Offeror and the Company may from time to time implement long-term growth strategies which may affect the Company’s short-term growth profile and may result in the divergence between the Offeror’s and the Company’s view on the Company’s long-term value on one hand, and the investors’ views on the potential execution risks and the significant cost involved impacting the Company’s short-term financial and share price performance on the other hand.
13. It was disclosed in the Company’s Prospectus and the circular dated 26 October 2021 in connection with the purchases of equipment that the Board believes that the increasing demand for high-speed wireless communications in various sectors including but not limited to, automotive manufacturers, will continue to raise the demand for 5G devices and

AI computing devices, which is expected to further drive the soaring demand for wafer. The Board expects that, whilst the global shortage of semiconductors caused by the COVID-19 pandemic was likely to be prolonged for years because of the limited production capacity for power discrete semiconductors and surge in demand of electronic products driven by the pandemic, combined with the shortage in supply of wafer supply to meet the current global demand since the outset of the pandemic, the major challenge for the Group to remain competitive is, therefore, to ensure sufficient supply of wafer. As such, the Group has determined to construct its own wafer fabrication manufacturing facilities in Shunde, the PRC in order to gradually replace the current outsourcing arrangements with external wafer foundries for the wafer fabrication process. The wafer fabrication manufacturing facility is intended to primarily carry out the fabrication process for the Group's MOSFET.

14. It is expected the setting up of the wafer fabrication manufacturing facility will employ substantial capital expenditure in the coming years. As stated in the Prospectus, approximately US\$14.3 million of capital expenditure payments are expected by the Group in 2021 and it is estimated that a further US\$17.7 million is expected to be required by the Group for a total of around US\$32 million to be spent over a two-year set up period to construct and fit out the wafer fabrication facility. Such level of capital expenditure cannot be financed alone by the Group's operating cash inflow. To support the Group's 2021 capital spending, the controlling Shareholder has pledged to invest further in the Company through provision of shareholders' loan in addition to its participation in the Rights Issue.
15. The Rights Issue conducted by the Company in June 2021 did not attract enough attention from the Shareholders other than the controlling Shareholder. As disclosed in the result announcement of the Rights Issue dated 30 June 2021, only around 7% of the total rights shares under the Rights Issue was subscribed to by rights holders other than the controlling Shareholder and the controlling Shareholder has topped up the subscription of the unsubscribed Shares of the Rights Issue through making excess application. Because of the low subscription rate by the independent Shareholders, their interests in the Company were inevitably diluted. Following the completion of the Rights Issue, the Shares held by the public Shareholders reduced from 40.61% to 29.38%.
16. Given the prevailing unstable market conditions resulting from, among other things, the evolving pandemic situation and the lacklustre response by the Shareholders other than the controlling Shareholders in the Rights Issue, the Offeror sees no practicable opportunity for the Company to raise substantial new equity from the public market in the

near future, and taking the Company private is considered a viable path for the Company to raise private equity capital for growth whilst striking a balance in protecting independent Shareholders' interests.

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

**Reasons for and Benefits of the Proposal - Low liquidity of Shares may continue to cause share price fluctuation and difficulty for the Company to raise funds**

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

**Reasons for and Benefits of the Proposal - A good opportunity for the Disinterested Shareholders to realise their investment for a premium**

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

**Reasons for and Benefits of the Proposal - Cost reduction from the saving of cost of listing and cost of investor relations**

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

**OPTION OFFER**

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

22. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer Option Holders the "see-through" price (being the Cancellation Price minus the exercise price of the relevant Options) for the cancellation of each Option they hold in accordance with Rule 13 of the Takeovers Code. As the exercise price of the Options under the Option Offer exceeds HK\$1.40, the "see-through" price is zero and a cash offer of a nominal amount of HK\$0.01 per Option will be made.

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

**INFORMATION ON THE OFFEROR**

24. Lotus Atlantic Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and the controlling Shareholder of the Company.
25. The Offeror will find its undertaking to be bound by the terms of the Scheme.

**PURPOSE OF THE SCHEME**

26. The purpose of the Scheme is to implement a take-private of the Company so that the Offeror will own 100% of the issued share capital of the Company.

**SCHEME OF ARRANGEMENT**

27. A reconstruction of the capital structure is now proposed whereby the share capital of the Company will be reduced by the cancellation of the Scheme Shares and, in consideration therefor, HK\$1.40 per share will be paid to the Scheme Shareholders on the Scheme Effective Date for every Scheme Share so cancelled; forthwith upon the Capital Reduction, the restoration of the issued share capital of the Company to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of New Shares in the same number as the Scheme Shares (which were cancelled) to the Offeror (or its wholly-owned subsidiary) credited as fully paid out of the credit arising in the Company's books of account as a result of the Capital Reduction.
28. The Capital Reduction is expected to be approved by way of a special resolution to be passed at an extraordinary general meeting of the holders of the shares ("Shareholders") to be held immediately after the Court Meeting referred to herein.
29. The profile of the Shareholders as at the Scheme Effective Date is in the table at paragraph 10 above.
30. After careful consideration, the Board of Directors of the Company have determined that the Scheme is desirable and believe that the terms of the Scheme are in the best interests of the Company and its shareholders. Accordingly, the Board of Directors of the Company (with the interested directors abstaining) unanimously approved the Scheme.

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31. The Company intends to make an application for directions herein for declarations and orders that, among other things:

- a. The relevant class of shareholders of the Company affected by the Scheme are all the Shareholders and they shall vote as a single class;
- b. The Company be at liberty to convene and hold a meeting of the Shareholders (voting together as a single class) (the "**Court Meeting**") for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme;
- c. Directions as to the mode of delivery of an explanatory statement and proxy form to the Shareholders;
- d. The appointment of a chairman of the Court Meeting and for the conduct of the Court Meeting generally;
- e. Directions as to the treatment of the Shares held by custodians, clearing houses and other nominees for the purpose of the "majority in number" calculation; and
- f. The Company proposes to convene the Court Meeting in accordance with Section 86 of the Companies Act to be held on or around at which the following resolution (with such amendment(s) as may be approved at the Court Meeting) will be considered (each of the capitalised terms referred to in the resolution below are defined in the Scheme Document):

*"THAT a scheme of arrangement (the "Scheme of Arrangement") in the form of the print thereof which has been produced to this Court Meeting and, for the purposes of identification signed by the chairperson of this Court Meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved."*

## CAPITAL REDUCTION

32. Article 7 of the Articles of Association of the Company provides as follow:

"The authorised share capital of the Company is HK\$38,000,000.00 consisting of 3,800,000,000 shares of HK\$0.01 each with the power for the Company to increase or

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reduce the said capital and to issue any part of its capital, original or increased, with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions; and so that, unless the condition of issue shall otherwise expressly declare, every issue of shares, whether declared to be preference or otherwise, shall be subject to the power hereinbefore contained."

33. The Company intends to convene an extraordinary general meeting of the Shareholders (voting together as a single class) to take place as soon as possible after the conclusion of the Court Meeting at which it is intended to submit, among other things, a special resolution to confirm the Capital Reduction pursuant to the Scheme. These resolutions are set out below:

*SPECIAL RESOLUTION*

*(1) THAT AS A SPECIAL RESOLUTION*

*(a) pursuant to a scheme of arrangement dated [ ] 2021 (the "Scheme of Arrangement") between the Company and the Scheme Shareholders (as defined in the Scheme of Arrangement) in the form of the print thereof, which has been produced to this meeting and for the purposes of identification signed by the chairman of this meeting, or in such other form and on such terms and conditions as may be approved or imposed by the Grand Court of the Cayman Islands, on the Effective Date (as defined in the Scheme of Arrangement), the issued shares in the share capital of the Company shall be reduced by the cancellation and extinguishment of the Scheme Shares (as defined in the Scheme of Arrangement); and*

*(b) any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the reduction of the number of issued shares in the share capital of the Company pursuant to the Scheme of Arrangement, including (without limitation) giving consent to any modification of, or addition to, the Scheme of Arrangement or the reduction of the number of issued shares in the issued share capital of the Company which the Grand Court of the Cayman Islands may see fit to impose."*

## ORDINARY RESOLUTION

## (2) THAT AS AN ORDINARY RESOLUTION

- (a) *subject to and forthwith upon the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) taking effect, the number of issued shares in the share capital of the Company be restored to its former amount immediately prior to the cancellation and extinguishment of the Scheme Shares by allotting and issuing to the Offeror (as defined in the Scheme of Arrangement), credited as fully paid at par, the same number of ordinary shares of HK\$0.20 each in the share capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished;*
- (b) *the credit arising in the books of account of the Company consequent upon the reduction of its issued share capital resulting from the cancellation and extinguishment of the Scheme Shares referred to in resolution 1(a) shall be applied by the Company in paying up in full at par the new ordinary shares allotted and issued to the Offeror pursuant to resolution 2(a) above, and any one of the directors of the Company be and is hereby authorised to allot and issue the same accordingly;*
- (c) *any one of the directors of the Company be and is hereby authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme of Arrangement and the restoration of capital pursuant to the Scheme of Arrangement, including (without limitation) the giving of consent to any modification of, or addition to, the Scheme of Arrangement or the restoration of capital, which the Grand Court of the Cayman Islands may see fit to impose; and*
- (d) *any one of the directors of the Company be and is hereby authorised to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company. "The Scheme and the Capital Reduction would not involve any diminution of liability in respect of any unpaid share capital or the payment to any member of the Company of any paid up capital or alteration of the underlying assets, business operations, management or financial position of the Company and would have no effect on the creditors of the Company. It is to be noted that the Capital Reduction and the restoration of capital will occur simultaneously. The Company will continue to be able to pay its debts as they fall due in the ordinary course of business. It is therefore proposed to dispense with preparing a list of creditors.*

34. The form of Minute proposed to be registered in relation to the Capital Reduction pursuant to the Scheme is as follows:

*"The authorised share capital of PFC Device Inc. (the "**Company**") was HK\$38,000,000 divided into 190,000,000 Shares of HK\$0.20 each, and the Company had 121,352,419 Shares in issue, and 68,647,581 shares were unissued. The capital was reduced by the cancellation of the shares further to a Special Resolution of the Company, dated [ ]. By further resolution the Company resolved that on and from the date of the registration of this Minute the capital be restore to the amount immediately before the cancellation of the shares as aforesaid by means of the issuance of new shares in the same number as those cancelled credited as fully paid out of the credit arising in the Company's books of account as a result of the capital reduction. By virtue of a Scheme of Arrangement sanctioned by the Grand Court of the Cayman Islands on [ ] and a resolution of the Company passed on [ ] the capital of the Company on the registration of this Minute is was HK\$38,000,000 divided into 190,000,000 Shares of which 121,352,419 Shares are issued and fully paid or credited as fully paid, and 68,647,581 shares remain unissued."*

35. The Complete Minute will be provided to the Grand Court before the sanction of the Capital Reduction pursuant to the Scheme by the Grand Court.

**YOUR PETITIONER, THE COMPANY, THEREFORE HUMBLY PRAYS:**

1. That the Scheme be approved at the Court Meeting to be convened and held at the direction of this Honourable Court be sanctioned by this Honourable Court so as to be binding o the Company, the Scheme Shareholders, the Offeror and the Offeror's concert parties;
2. That the Capital Reduction be confirmed and that the Minute mentioned in paragraphs 32 to 35 may be approved by the Court.
3. That the preparation of a list of creditors for the Scheme be dispensed with.
4. That to this end, all necessary inquiries and directions be made and given.
5. Such further or other relief as this Honourable Court shall see fit.

And your petitioner will ever pray etc.

Dated the 8<sup>th</sup> day of December 2021

*Travers Thorp Alberga*

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**Travers Thorp Alberga  
Attorneys-at-Law for the Petitioner**

Note: This petition is not intended to be served

**NOTICE OF HEARING**

**TAKE NOTICE THAT** the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman on the      day of                      20[ ] at                      am/pm.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman, Cayman Islands, KY1-1106 telephone (+1 345) 949 4296.