



HongGuang Lighting Holdings Company Limited

宏光照明控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 6908

INTERIM REPORT
2021

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CORPORATE INFORMATION

Directors

Executive Directors

Mr. ZHAO Yi Wen (趙奕文)
(Chairman and Chief Executive Officer)
 Mr. LIN Qi Jian (林啟建)
 Mr. CHAN Wing Kin (陳永健)

Non-executive Directors

Dr. WANG David Nin-kou (王寧國)
(appointed on 17 June 2021)
 Mr. CHIU Kwai San (趙桂生)

Independent Non-executive Directors

Professor CHOW Wai Shing, Tommy (周偉誠)
 Mr. WU Wing Kuen, B.B.S. (胡永權)
 Mr. CHAN Chung Kik, Lewis (陳仲戟)

Audit Committee

Mr. CHAN Chung Kik, Lewis (陳仲戟)
(Chairman)
 Mr. WU Wing Kuen, B.B.S. (胡永權)
 Professor CHOW Wai Shing, Tommy (周偉誠)

Nomination Committee

Mr. CHAN Chung Kik, Lewis (陳仲戟)
(Chairman)
 Mr. WU Wing Kuen, B.B.S. (胡永權)
 Professor CHOW Wai Shing, Tommy (周偉誠)

Remuneration Committee

Mr. CHAN Chung Kik, Lewis (陳仲戟)
(Chairman)
 Mr. WU Wing Kuen, B.B.S. (胡永權)
 Professor CHOW Wai Shing, Tommy (周偉誠)

Company Secretary

Mr. CHAN Wing Kin (陳永健)

Authorised Representatives

Mr. CHAN Wing Kin (陳永健)
 Mr. ZHAO Yi Wen (趙奕文)

Registered Office

Windward 3
 Regatta Office Park
 PO Box 1350
 Grand Cayman
 KY1-1108
 Cayman Islands

Head Office and Principal Place of Business in the People's Republic of China (the "PRC")

The North Side
 2nd Floor
 No. 8 Pinggong Er Road
 Nanping Technology Industrial Park
 Zhuhai
 PRC

Place of Business in Hong Kong

Suite 2703, 27/F., Shui On Centre
 6-8 Harbour Road
 Wanchai
 Hong Kong

CORPORATE INFORMATION (CONTINUED)

Cayman Islands Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

Principal Bankers

Bank of China
Zhuhai Xiangzhou Sub-branch
1st Floor
Anping Building
274 Cuixiang Road
Xiangzhou, Zhuhai
PRC

Industrial and Commercial Bank of China
Zhuhai Gongbei Sub-branch
ICBC Tower
36 Guihuanan Road
Gongbei, Zhuhai
PRC

Compliance Adviser

Lego Corporate Finance Limited
Room 1601
16th Floor
China Building
29 Queen's Road Central
Central, Hong Kong

Legal Adviser

TC & Co., Solicitors
Units 2201-3
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

Auditor

BDO Limited
Certified Public Accountants
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

Stock Code

6908

Company's Website

www.lighting-hg.com

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

For the six months ended 30 June 2021

The board (the “**Board**”) of the directors (the “**Directors**”) of HongGuang Lighting Holdings Company Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative unaudited figures for the corresponding period in 2020 (the “**Previous Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	3	75,300	42,826
Cost of sales		(59,834)	(33,038)
Gross profit		15,466	9,788
Other income and gains	3	346	623
Selling and distribution expenses		(1,114)	(542)
Administrative and other expenses		(54,378)	(9,247)
Provision on expected credit loss on trade and bills receivables		—	(102)
Finance costs	4	(319)	(348)
(Loss)/profit before income tax expense		(39,999)	172
Income tax expense	5	(1,159)	(58)
(Loss)/profit for the period attributable to owners of the Company		(41,158)	114
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		287	21
Total comprehensive income for the period attributable to owners of the Company		(40,871)	135
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	7	(9.70)	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	38,721	33,591
Intangible assets	9	64,239	898
Financial assets at fair value through other comprehensive income	13	32,306	—
Prepayments and deposits	11	413	653
Deferred tax assets		2,133	1,835
		137,812	36,977
Current assets			
Inventories		42,163	38,413
Trade and bills receivables	10	105,040	114,421
Prepayments and other receivables	11	18,995	19,360
Financial assets at fair value through profit or loss	12	—	2,230
Cash and cash equivalents	14	7,378	9,174
		173,576	183,598
Current liabilities			
Trade and bills payables	15	14,106	22,794
Other payables and accruals	16	41,150	5,806
Bank borrowings	17	13,000	13,000
Lease liabilities		489	1,028
Current tax liabilities		979	4,663
		69,724	47,291
Net current assets		103,852	136,307
Non-current liabilities			
Lease liabilities		964	1,127
		964	1,127
Net assets		240,700	172,157
EQUITY			
Equity attributable to owners of the Company			
Share capital		4,244	3,580
Reserves		236,456	168,577
Total equity		240,700	172,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share								
	Share capital	Share premium	Share option reserve	Statutory reserve	Other reserve	Capital reserve	Exchange reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	3,580	46,162	—	14,805	580	35,972	(4,712)	75,770	172,157
Loss for the period	—	—	—	—	—	—	—	(41,158)	(41,158)
Exchange differences on translating foreign operations	—	—	—	—	—	—	287	—	287
Total comprehensive income for the period	—	—	—	—	—	—	287	(41,158)	(40,871)
Acquisition of subsidiaries	664	63,070	—	—	—	—	—	—	63,734
Recognition of equity-settled share-based payment expenses	—	—	45,680	—	—	—	—	—	45,680
Transfer to statutory reserve	—	—	—	854	—	—	—	(854)	—
At 30 June 2021 (unaudited)	4,244	109,232	45,680	15,659	580	35,972	(4,425)	33,758	240,700
At 1 January 2020 (audited)	3,580	46,162	—	13,767	580	35,972	(4,710)	72,245	167,596
Profit for the period	—	—	—	—	—	—	—	114	114
Exchange differences on translating foreign operations	—	—	—	—	—	—	21	—	21
Total comprehensive income for the period	—	—	—	—	—	—	21	114	135
Transfer to statutory reserve	—	—	—	289	—	—	—	(289)	—
At 30 June 2020 (unaudited)	3,580	46,162	—	14,056	580	35,972	(4,689)	72,070	167,731

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
(Loss)/profit before income tax	(39,999)	172
Adjustments for:		
Depreciation of property, plant and equipment (note)	2,311	2,348
Depreciation of right-of-use assets	887	957
Amortisation of intangible assets	341	341
Interest income	(4)	(244)
Finance costs	319	348
Equity-settled share-based payment expenses	45,964	—
Provision of expected credit loss on financial asset	—	102
Operating profit before working capital changes	9,819	4,024
Increase in inventories	(3,750)	(1,272)
Decrease in trade and bills receivables	9,381	3,828
Decrease in prepayments and other receivables	605	1,813
Decrease in trade and other payables	(9,414)	(36,660)
Cash generated from/(used in) operations	6,641	(28,267)
Income tax paid	(5,142)	(1,499)
Net cash flows generated from/(used in) operating activities	1,499	(29,766)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,374)	(2,338)
Decrease in financial assets at fair value through profit or loss, net	2,230	10,960
Increase in financial assets at fair value through other comprehensive income, net	(32,306)	—
Interest received	4	244
Net cash flows (used in)/generated from investing activities	(38,446)	8,866
Cash flows from financing activities		
Interest paid	(319)	(348)
Advance from a shareholder	36,121	—
Repayments of principal portion of the lease liabilities	(702)	(1,003)
Proceed from bank borrowings	7,000	10,000
Repayments of bank borrowings	(7,000)	(15,850)
Net cash flows generated from/(used in) financing activities	35,100	(7,201)
Net decrease in cash and cash equivalents	(1,847)	(28,101)
Effect of exchange rate changes on cash and cash equivalents	51	5
Cash and cash equivalents at the beginning of period	9,174	30,285
Cash and cash equivalents at the end of period	7,378	2,189

Note: Items of property, plant and equipment other than right-of-use assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. General Information, Basis of Preparation and Accounting Policies

HongGuang Lighting Holdings Company Limited (the “**Company**”) was incorporated with limited liability in the Cayman Islands on 27 May 2015 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with stock code “6908”.

The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred to as the “**Group**”) is located in the People’s Republic of China (the “**PRC**”) at the North Side, 2nd Floor, No. 8 Pinggong Er Road, Nanping Technology Industrial Park, Zhuhai, the PRC.

The Company’s principal activity is investment holding. The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including light-emitting diode (“**LED**”) beads, LED lighting products and fast charging products in the PRC. LED is a semiconductor light source that emits light when current flows through it.

The unaudited consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and comply with the applicable disclosure provisions of the Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are consistent with those adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2020 except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “**New and Revised HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2021. The adoption of the new and revised HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

1. General Information, Basis of Preparation and Accounting Policies (Continued)

The Group has not applied any new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared on the historical cost basis, except for a financial asset at fair value through other comprehensive income and financial asset at fair value through profit or loss which have been measured at fair value. The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Audit Committee of the Company.

2. Changes in HKFRSs

The Group has applied the same accounting policies in these interim condensed consolidated financial statements as in its 2020 annual consolidated financial statements, except that it has adopted the following amendments to HKFRSs:

Amendments to HKFRS 9, HKAS 39, *Interest Rate Benchmark Reform — Phase 2*
HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 16 *Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The new and revised standards did not have material impact on the Group's interim condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

3. Revenue, Other Income and Gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, less discounts, returns, value added tax and other applicable local taxes during the reporting period. The principal activities of the Group are sale of semiconductor products, including LED beads, LED lighting products, fast charging products and subcontracting service.

The sales contract terms not allow rebate, discount, warranties and return on revenue. During the six months ended 30 June 2021 and 2020, there is no rebate, discount, warranties and return on revenue.

An analysis of the Group's revenue, other income and gains are as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised at a particular point in time		
Sales of LED beads	75,300	42,359
Revenue recognised over time		
Subcontracting service	—	467
	75,300	42,826
Other income and gains		
Bank interest income	4	244
Government grants	342	379
	346	623

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

4. Finance Costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank borrowings	273	242
Interest expense on lease liabilities	46	106
	319	348

5. Income Tax Expense

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2.0 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

In 2017, the Group's wholly-owned subsidiary, Zhuhai HongGuang Semiconductor Company Limited was awarded a "New and High Technology Enterprise Certificate" (the "Certificate") (高新技術企業證書). The Certificate has to be renewed over three years. In 2019, the Group has successfully renewed the Certificate for three years commencing from 1 January 2019. Pursuant to the relevant PRC enterprise income tax law, regulations and implementation guidance notes, Zhuhai HongGuang is entitled to a tax preference with a reduction of the enterprise income tax ("EIT") rate from 25% to 15% for the periods ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

6. Dividend

No dividend has been paid or declared by the Company for the six months ended 30 June 2021 (2020: Nil), or by any of the companies now comprising the Group during the reporting period.

7. (Loss)/Earnings Per Share

The calculation of basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company	(41,158)	114
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	424,309,393	400,000,000
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes (notes (ii))	—	—
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	424,309,393	400,000,000

Notes:

- (i) Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue of the Company during the period.
- (ii) For the six months ended 30 June 2021, the potential ordinary shares from share options were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

8. Property, Plant and Equipment

(a) Right-of-use assets

The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

The property leases from 珠海經濟特區利佳電子發展有限公司, a related party of the Group which is beneficially owned by the shareholders of the Company, Mr. Lin Qi Jian and Mr. Zhao Yi Wen, who are also Directors of the Company, with lease term of 10 years from 1 April 2015 to 31 March 2025.

For the six months ended 30 June 2021, the carrying amount of the Group's machinery includes an amount of RMB0.2 million of right-of-use asset which the ownership would transfer to the Group by the end of the lease term with no further consideration.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of plant and machinery with a cost of approximately RMB8,374,000 (six months ended 30 June 2020: approximately RMB2,338,000). There was no disposal of property, plant and equipment during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

9. Intangible Assets

For the six months ended 30 June 2021, technology know-how acquired initially recognised at cost. The cost of intangible assets acquired in a subsidiary is its fair value at the date of acquisition. Subsequently technology know-how have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of technology know-how over their estimated useful lives from the point at which the asset is ready for use.

As at 30 June 2021, the carrying amount of the Group's intangible assets includes an amount of approximately RMB63.7 million of technology know-how (31 December 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

10. Trade and Bills Receivables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	98,001	111,615
Bills receivables	7,039	2,806
	105,040	114,421

The aging analysis of the trade and bills receivables, based on the invoice date, is as follows:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
0 to 30 days	24,738	34,877
31 to 60 days	13,696	11,706
61 to 90 days	9,810	9,672
91 to 120 days	8,081	14,616
121 to 365 days	40,161	19,753
Over 1 year	14,984	30,227
	111,470	120,851
Less: Impairment of trade and bills receivables	(6,430)	(6,430)
	105,040	114,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

11. Prepayments and Other Receivables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Other receivables	64	73
Prepayments and deposits (note)	19,344	19,940
	19,408	20,013
Less: non-current portion		
Prepayments and deposits for acquisition of property, plant and equipment	(413)	(653)
Current portion	18,995	19,360

Prepayments, deposits and other receivables do not contain impaired assets.

Note: The amounts includes the prepayment to the independent third parties suppliers amounted to approximately RMB17,824,000 (31 December 2020: approximately RMB17,999,000) for purchase of raw material.

12. Financial Assets at Fair Value Through Profit or Loss

The financial assets at fair value through profit or loss represent the investment in term deposits that the interest income are indexed to performance of investment portfolios comprising corporate bonds, interest bearing deposit and other kind financial asset or group of financial assets. The interest amounts are not consideration for just the time value of money on the principal amount outstanding.

The fair value of financial assets at fair value through profit or loss have been determined by reference to the default rate and recovery rate of the term deposits.

As at 30 June 2021, no financial assets at fair value through profit or loss was held by the Group (31 December 2020: RMB2,230,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

13. Financial Assets at Fair Value Through Other Comprehensive Income

During the period ended 30 June 2021, the Group acquired approximately 5.3% equity interests of an unlisted company in Israel (the “**Israel Company**”) principally engaged in developing GaN related products including high-power transistors and modules at the consideration of approximately USD5,000,000.

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Financial asset at fair value through other comprehensive income		
Unlisted equity investment, at fair value	32,306	—

As the equity investment are not held for trading purpose, the Group has designated these investments as equity investment at fair value through other comprehensive income.

14. Bank Balances and Cash

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Bank balances and cash	7,378	9,174
Denominated in RMB	6,576	8,861
Denominated in HK\$	801	312
Denominated in US\$	1	1

The bank balances are deposited with creditworthy banks with no history of default. The carrying amounts of the bank balances and cash approximated their fair values at the end of the reporting period. Bank balances and cash denominated in RMB are not freely convertible and the remittance of such funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

15. Trade and Bills Payables

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade payables	14,106	22,126
Bills payables	—	668
	14,106	22,794

The aging analysis of the trade and bills payables, based on the invoice date, is as follows:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
0 to 30 days	8,478	13,407
31 to 60 days	1,923	4,064
61 to 90 days	2,055	2,779
91 to 120 days	1,039	1,764
121 to 365 days	199	672
Over 1 year	412	108
	14,106	22,794

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

16. Other Payables and Accruals

As at 30 June 2021, the other payables and accruals includes an amount due to a shareholder of the Company — Mr. CHIU Kwai San, who is also the non-executive Director, is unsecured, interest-free and repayable on demand, of approximately RMB36.1 million (31 December 2020: nil).

17. Bank Borrowings

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Unsecured interest-bearing bank borrowings: — Repayable on demand or within one year from the reporting date	13,000	13,000

As at 30 June 2021, the effective interest rates of the unsecured interest-bearing bank borrowings were ranging from 3.80% to 4.35% (31 December 2020: from 3.80% to 4.55%) per annum.

All of the banking facilities are subject to the fulfillment of covenants commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the borrowings would become repayable on demand. The Group regularly monitors its compliance with these covenants. At the end of each of reporting period, none of the covenants related to drawn down facilities had been breached.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

18. Related Party Transactions

(i) Transactions

During the six months ended 30 June 2021, the Group entered into certain transactions with “related parties” as defined under the applicable accounting standards and the details of the material related party transactions (the “Transactions”) are disclosed as follows:

Name of related party	Nature of transactions	Six months ended	
		30 June	
		2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
珠海經濟區利佳電子發展有限公司	Utility expense	1,067	868
珠海經濟區利佳電子發展有限公司	Rental expense	186	186
		1,253	1,054

Note: The related party is beneficially owned by the shareholders of the Company, Mr. Lin Qi Jian and Mr. Zhao Yi Wen, who are also Directors of the Company.

(ii) Balance

Details of balance with related party are set out in note 16.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. Share-based Payment Transactions

The Company's share option scheme was conditionally approved by the Company pursuant to the written resolutions of the then all shareholders of the Company dated 2 December 2016 (the "**Share Option Scheme**"). The Share Option Scheme remains valid and effective following the transfer of listing of the Company's shares from the GEM to the Main Board on 13 November 2019 and is implemented in full compliance with the requirements under Chapter 17 of the Listing Rules.

The Company operates the Share Option Scheme for the purpose of providing incentives and/or rewards to eligible participants (including the Company's directors and other employees of the Group) who render services and/or contribute to the success of the Group's operations. Eligible participants receive remuneration in the form of share-based payments, whereby eligible participants render services as consideration for share options.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted on grant date. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

On 17 June 2021, the Company conditionally granted 34,510,000 options to 26 grantees to subscribe for an aggregate of 34,510,000 shares under the Share Option Scheme for a consideration of HK\$1 per grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. Share-based Payment Transactions (Continued)

The following tables disclose details of movements of the Company's share options held by directors and employees during the Period:

Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK\$)	Outstanding at 1 January 2021	Number of share options					Outstanding at 30 June 2021
					Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period		
Directors										
17/6/2021	Nil	17/6/2021-16/6/2024	7.50	—	6,600,000	—	—	—	—	6,600,000
	17/6/2021-16/6/2022	17/6/2022-16/6/2026	7.50	—	1,200,000	—	—	—	—	1,200,000
	17/6/2021-16/6/2023	17/6/2023-16/6/2027	7.50	—	1,200,000	—	—	—	—	1,200,000
	17/6/2021-16/6/2024	17/6/2024-16/6/2028	7.50	—	1,200,000	—	—	—	—	1,200,000
	17/6/2021-16/6/2025	17/6/2025-16/6/2029	7.50	—	1,200,000	—	—	—	—	1,200,000
					—	11,400,000	—	—	—	11,400,000
Senior management and other employees										
17/6/2021	Nil	17/6/2021-16/6/2024	7.50	—	5,760,000	—	—	—	—	5,760,000
	Nil	17/6/2021-16/6/2029	7.50	—	4,050,000	—	—	—	—	4,050,000
	17/6/2021-16/6/2022	17/6/2022-16/6/2026	7.50	—	250,000	—	—	—	—	250,000
	17/6/2021-16/6/2023	17/6/2023-16/6/2027	7.50	—	250,000	—	—	—	—	250,000
	17/6/2021-16/6/2024	17/6/2024-16/6/2028	7.50	—	250,000	—	—	—	—	250,000
	17/6/2021-16/6/2025	17/6/2025-16/6/2029	7.50	—	250,000	—	—	—	—	250,000
	17/6/2021-16/6/2022 (note 1)	17/6/2022-16/6/2026	7.50	—	1,450,000	—	—	—	—	1,450,000
	17/6/2021-16/6/2023 (note 1)	17/6/2023-16/6/2027	7.50	—	1,450,000	—	—	—	—	1,450,000
	17/6/2021-16/6/2024 (note 1)	17/6/2024-16/6/2028	7.50	—	1,450,000	—	—	—	—	1,450,000
	17/6/2021-16/6/2025 (note 1)	17/6/2025-16/6/2029	7.50	—	1,450,000	—	—	—	—	1,450,000
	17/6/2021-16/6/2029 (note 1)	17/6/2021-16/6/2029	7.50	—	6,500,000	—	—	—	—	6,500,000
					—	23,110,000	—	—	—	23,110,000
					—	34,510,000	—	—	—	34,510,000

Note:

- Vesting of the Share Options is conditional upon achievement of certain performance targets by the grantees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

19. Share-based Payment Transactions (Continued)

The estimated fair value of the options granted on the grant date is approximately HK\$122,873,000. On the date of grant, the closing price was HK\$7.5 per Share.

The fair values of the share options at the dates of grant were calculated using the Binomial Option Pricing model after taking into account the different vesting periods. The assumptions used for the calculation for options granted are as follows:

Share options granted on 17 June 2021:

Closing share price at date of grant	HK\$7.50
Exercise price	HK\$7.50
Risk free rate	0.276%–1.102%
Time to Maturity	3–8 years
Time to vest	0–4 years
Expected dividend yield	0%
Expected volatility	63%–74%
Early exercise multiple	Directors: 280% Non-directors: 220%

The variables and assumptions used above are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the six months ended 30 June 2021, the Company recognised total expense in relation to share options granted of approximately RMB46.0 million.

20. Events After the Reporting Period

On 23 August 2021, the Group further acquired equity interests of the Israel Company mentioned in note 13. Subsequent to the further acquisition, the Group holds approximately 21.86% of the enlarged issued share capital of the Israel Company.

Details of the acquisition were set out in the Company's announcement dated 24 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Activities

The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including light-emitting diode (“**LED**”) beads, LED lighting products and fast charging products in the People’s Republic of China (the “**PRC**”). LED is a semiconductor light source that emits light when current flows through it. During the Period, the Group mainly generated revenue from the sales of LED beads upon delivery of the products to the customers with their acceptance of the products.

Business Review

The Group’s revenue increased from approximately RMB42.8 million for the Previous Period to approximately RMB75.3 million for the Period. The significant increase in revenue during the Period was primarily attributable to the increase in the sales volume during the Period, as the demand for semiconductor products in the PRC has substantially increased as a result of the strong recovery from the COVID-19 pandemic (the “**Pandemic**”).

The Group recorded a loss for the Period of approximately RMB41.2 million, as compared to a profit of approximately RMB0.1 million for the Previous Period. The loss for the Period was primarily attributable to the recognition of equity-settled share-based payment expenses of approximately RMB46.0 million for the share options granted on 17 June 2021. After excluding the effect of the equity-settled share-based payment expenses, the Group recorded a net profit of approximately RMB4.8 million for the Period (Previous Period: net profit of approximately RMB0.1 million).

The Group has made remarkable efforts in exploring different business opportunities in the first half of 2021. On 24 February 2021, the Company entered into a Sales and Purchase Agreement (the “**SPA**”) to acquire the GSR GO Holding Corporation (the “**GSR GO**”) together with its subsidiary (the “**GSR GO Group**”), at a total consideration of HK\$76.8 million involving the issuance of consideration shares at the issue price of HK\$0.96 per consideration share. The GSR GO Group is principally engaged in the research and development of fast charging solutions for battery system. It is expected that fast charging battery solution will be a preferred choice by the fast growing food delivery industry in the PRC and there will be a steady growing demand for electric bicycle battery systems in the PRC. On 7 May 2021, the acquisition was successfully completed and GSR GO has become a wholly-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Period, the Company has successfully recruited Dr. David Wang, a leading figure in the global semiconductor industry, as a non-executive Director of the Company. Apart from being a talented and dedicated researcher, Dr. David Wang possesses vast management experiences as he had held senior executive position in a number of top-notch electronics companies during the course of his career. The Board believes that the appointment of Dr. David Wang would help to bring in more experiences and industry knowledges to the Group and lead the Group to a new page in the semiconductor industry. In addition to the appointment of Dr. David Wang, the Group has also recruited more talents and professionals during the Period in order to build up a more competitive team on semiconductor production and research. Share options have been granted to eligible employees under the Share Option Scheme to encourage them to contribute more to the Group.

Prospects

The Group's LED beads have end-use applications on displays such as smartphones and LCD panels. Demand indicators remain positive with the improved situation of the prevention and control on the Pandemic in the PRC this year. According to the National Bureau of Statistics of China, from January to June 2021, the year-over-year growth for the total retail sales of communication appliances in the PRC was approximately 26.3%. Moreover, according to Canalys, an independent analyst company, the annual growth of smartphone shipments in the Greater China in 2021 is expected to be approximately 16.0%.

In the Period, the Group has adopted a faster pace to develop its business by leveraging its industrial expertise on LED manufacturing and has been expanding its business to various kinds of semiconductors which include LED, GaN-based components, fast charging products and other kinds of semiconductors related products. GaN is often referred to as one of the representatives of the third-generation semiconductor materials. GaN performs a wider band gap, larger breakdown voltages, increased efficiency of power conversion, and greater thermal stability at high temperature, as compared to the previous generation semiconductor materials. According to certain media reports, the third-generation semiconductor segment is likely to enter a rapid upturn owing to high demand from automotive, industrial, and telecom applications. In particular, the yearly revenue from GaN Radio Frequency ("RF") devices has been projected to reach approximately US\$680 million in 2021, representing a year-over-year increase of approximately 30.8%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The remarkable revenue increase of GaN power device can primarily attributable to the release of GaN-based fast chargers from smartphone manufacturers. These chargers enjoy excellent market reception due to their effective heat dissipation and small footprint. Some notebook and computer manufacturers are currently looking to adopt fast charging technology for their notebook chargers as well. Going forward, more smartphone and notebook chargers are expected to feature GaN power devices, leading to an expected year-over-year revenue increase of GaN power device in 2022. The GaN-based fast charging solution can also apply to other electronic products, such as electric bicycles and electric vehicles.

In order to further strengthen the Group's existing business and its research and development capabilities, the Group has entered into several strategic or framework cooperation agreements with different cooperating parties up to the date of this report.

On 11 June 2021, the Group's wholly-owned subsidiary, Zhuhai HongGuang Semiconductor Company Limited* ("**Zhuhai HongGuang**") (珠海宏光半導體有限公司) has entered into a strategic cooperation agreement with a subsidiary of the one of the Group's existing customers, a listed semiconductor group and being one of the largest players in its market and a leading global innovator of LED and Mini LED products and technologies using Gallium Nitride ("**GaN**") — substrate technology, to establish an all-round cooperation relationship covering the areas of research and development, business development, patents registration, customer services and productivity sharing, in particular, Mini LED and semiconductors.

On 16 July 2021, the Company entered into a framework cooperation agreement with a statutory body in Hong Kong that is committed in assisting Hong Kong enterprises to improve their competitiveness through advanced technology applications and innovative services. Under this agreement, the Company will establish, with the support of the cooperating party, an advanced intelligent production line for fast charging products in Hong Kong. Moreover, the Company will introduce leading talents in the semiconductor industry, such as Mr. Chang Ru Gin, a senior consultant of the Company and the Founder of Semiconductor Manufacturing International Corporation (中芯國際集成電路製造有限公司*), and other experts from different countries, to work with the cooperating party in supporting the development of a Microelectronics Centre, which will involve the research and development of a new generation of semiconductor cooperative technology, and promoting the collaborative development of industry, education and research in Hong Kong and the Greater Bay Area of the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 27 July 2021, the Group's wholly-owned subsidiary, Xuzhou Jinshajiang Semiconductor Company Limited* ("**Xuzhou Jinshajiang**") (徐州金沙江半導體有限公司) has entered into a strategic cooperation agreement with Shenzhen Romoss Technology Company Limited* (深圳羅馬仕科技有限公司) and Beijing Hongzhi Electric Technology Company Limited* (北京鴻智電通科技有限公司) to jointly cooperate in the research and development along with providing Shenzhen Romoss Technology Company Limited with developed chipset system solution for the fast charging battery products for their further use and promotion in the PRC. Xuzhou Jinshajiang will be responsible for providing semiconductor, GaN related products and chipset system solution for the fast charging battery.

Moreover, FastSemi Holding Limited, a wholly-owned subsidiary of the Company, has invested in VisIC Technologies Limited ("**VisIC**"), one of the largest players in the third-generation semiconductor field of GaN devices. Details of the investment in VisIC were set out in the Company's announcement dated 24 August 2021.

The major benefit of the VisIC investment and collaboration is threefold. Firstly, the Group now holds the key to open up the new market in China for the next generation Electric Vehicle ("**EV**") transformation. The Group will leverage VisIC's product portfolio to design into China EV players as they all have the roadmap to move into the high voltage (from 300V to 400V and 800V systems). Every EV will require 30–60 GaN devices for the management of batteries, transfer of energy from battery packs to power the electric motor, on-board charger and DC-DC converters for the entire EV user experience, such as displays, air conditioning and wireless radio. Given VisIC's leading position for the high voltage devices that enables fast charge application, and its leadership position with German EV supply chain qualification, coupled with the Group's local factory for GaN solutions, the Group will benefit from the early entry to the China EV market, becoming a major viable supply chain providers of third-generation semiconductor GaN solution for the key EV players (including the existing state-owned automotive companies as well as emerging new EV players). Secondly, VisIC's expertise in manufacturing process will accelerate the Group's factory capacity ramp up for GaN solutions. Last but not least, the Group will leverage VisIC's expertise in integrated circuit design of the high voltage GaN devices, to research and develop products that are customized to next generation solutions for specific customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

To better cope with the funding needs for the Group's operation and business development, the Company has arranged placing of shares under the Company's General Mandate. The placing was completed on 22 July 2021 and the net proceeds from the Placing, after deduction of the professional fee and other related expenses, amounted to approximately HK\$389.6 million. The net proceeds are intended to apply to expansion of production capacity, strengthening research and development capabilities of semiconductor products, repayment of borrowings and provision of general working capital and improving financial position of the Group.

Further details of the abovementioned placing were set out in the Company's announcements dated 15 June 2021 and 22 July 2021.

Looking forward, the Group targets to establish design capabilities, know-how, technologies, manufacturing ability and patents in different stages of the semiconductor supply chain, with an aim to develop as an Integrated Device Manufacturer (IDM).

Financial Review

Revenue

For the Period, total revenue was approximately RMB75.3 million, representing an increase of approximately 75.9% as compared with that for the Previous Period (Previous Period: approximately RMB42.8 million). The increase was mainly attributable to the increase in revenue from the sales of LED beads.

The following table sets forth the breakdown of the Group's revenue by segment:

	Six months ended 30 June			
	2021		2020	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
LED beads	75,300	100.0%	42,359	98.9
LED lighting products	—	—	—	—
Subcontracting service	—	—	467	1.1
Total	75,300	100.0	42,826	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the Period, revenue from LED beads amounted to approximately RMB75.3 million (Previous Period: approximately RMB42.4 million), accounting for 100% of the total revenue (Previous Period: approximately 98.9%). The increase in revenue was mainly due to the increase in sales volume during the Period, as the demand for semiconductor products in the PRC has substantially increased as a result of the strong recovery from the COVID-19 pandemic.

Revenue from subcontracting service during the Period was nil (Previous Period: approximately RMB0.5 million).

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It increased by approximately 81.2% from approximately RMB33.0 million for the Previous Period to approximately RMB59.8 million for the Period, reflecting an increase in the sales volume of LED beads, which mainly led to the increase in the cost of material used.

Gross Profit and Gross Profit Margin

The gross profit increased from approximately RMB9.8 million for the Previous Period to approximately RMB15.5 million for the Period. The gross profit margin decreased from approximately 22.9% for the Previous Period to approximately 20.5% for the Period. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Gross profit RMB'000 (unaudited)	Gross profit margin %	Gross profit RMB'000 (unaudited)	Gross profit margin %
LED beads	15,466	20.5	9,321	22.0
LED lighting products	—	—	—	—
Subcontracting service	—	—	467	N/A ^(Note)
Total gross profit/gross profit margin	15,466	20.5	9,788	22.9

Note: The gross profit margin did not apply to the subcontracting service income as the amount was recognized on net basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The gross profit margin of LED beads decreased from approximately 22.0% for the Previous Period to approximately 20.5% for the Period. Such decrease was mainly attributable to the decrease in the average selling price of LED beads.

Other Income and Gains

Other income and gains of the Group decreased by approximately 50.0% from approximately RMB0.6 million for the Previous Period to approximately RMB0.3 million for the Period, which was mainly due to the decrease in bank interest income during the Period.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 120.0% from approximately RMB0.5 million for the Previous Period to approximately RMB1.1 million for the Period. The increase in selling and distribution expenses was mainly attributable to the increase in travelling expenses and entertainment expenses as a result of increased marketing activities.

Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 491.3% from approximately RMB9.2 million for the Previous Period to approximately RMB54.4 million for the Period. The administrative and other expenses mainly included administrative staff costs, research and development costs, professional services expenses and equity-settled share-based payment expenses. The increase in administrative and other expenses was mainly due to the recognition of the equity-settled share-based payment expenses during the Period. The equity-settled share-based payment expenses were approximately RMB46.0 million for the Period (Previous Period: nil).

Finance Costs

The Group's finance costs was approximately RMB0.3 million for the Period (Previous Period: approximately RMB0.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income Tax Expense

Income tax expense of the Group for the Period was approximately RMB1.2 million (Previous Period: approximately RMB0.1 million). The increase in income tax expense was primarily attributable to the Group's increase in revenue during the Period.

Loss for the Period

The loss for the Period was approximately RMB41.2 million, as compared to a net profit of approximately RMB0.1 million for the Previous Period. The loss for the Period was mainly attributable to the recognition of the equity-settled share-based payment expenses during the Period.

Net Margin

The Group recorded a net margin of approximately -54.7% for the Period, compared to that of a net profit margin of approximately 0.3% for the Previous Period. The negative net margin for the Period was mainly due to the recognition of equity-settled share-based payment expenses during the Period.

Dividend

The Directors do not recommend the payment of an interim dividend for the Period (Previous Period: nil), in order to cope with the future business development of the Group.

Liquidity, Financial Resources and Capital Structure

For the Period, the Group recorded net cash flows generated from operating activities of approximately RMB1.5 million as compared to the net cash flows used in the operating activities of approximately RMB29.8 million for the Previous Period, primarily due to the increased operating profit before working capital changes for the Period and lesser decrease in trade and other payables for the Period, as compared to the Previous Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2021, the Group had net current assets of approximately RMB103.9 million (31 December 2020: approximately RMB136.3 million). The Group's current ratio (i.e. total current assets at the end of the period divided by total current liabilities at the end of the period) as at 30 June 2021 was approximately 2.5 (31 December 2020: approximately 3.9). The decrease was primarily due to the increase in other payables and accruals for the Period.

As at 30 June 2021, the Group had total cash and bank balances of approximately RMB7.4 million (31 December 2020: approximately RMB9.2 million). The decrease in total cash and bank balances was mainly due to the application of approximately RMB38.4 million in investing activities, offset by the net cash flows generated from financing activities of approximately RMB35.1 million.

As at 30 June 2021, the total available banking facilities of the Group were RMB13.0 million (31 December 2020: RMB13.0 million). The total drawn down from the banking facilities as at 30 June 2021 was RMB13.0 million (31 December 2020: RMB13.0 million).

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 30 December 2016 and the listing of the Company's shares has been transferred from the GEM to the Main Board of the Stock Exchange since 13 November 2019. The share capital of the Company comprises only ordinary shares. As at 30 June 2021, the equity attributable to owners of the Company amounted to approximately RMB240.7 million (31 December 2020: approximately RMB172.2 million).

Gearing Ratio

The Group's gearing ratio (i.e. total debt at the end of the period divided by total equity at the end of the period) as at 30 June 2021 was approximately 5.4% (31 December 2020: approximately 7.6%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Disclosure of Interests**Interests and short positions of Directors and chief executive in the shares, underlying shares and debentures of the group and its associated corporations**

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in the ordinary shares and underlying shares of the Company

Name	Capacity/Nature of interest	Number of issued ordinary shares interested	Percentage of the issued share capital of the Company
Mr. Zhao Yi Wen (Note 2, 5, 6)	Interest in a controlled corporation; interest held jointly with another person	300,960,000 (L)	62.70%
	Beneficial owner	480,000 (L)	0.10%
Mr. Lin Qi Jian (Note 3, 5, 7)	Interest in a controlled corporation; interest held jointly with another person	300,960,000 (L)	62.70%
	Beneficial owner	480,000 (L)	0.10%
Mr. Chiu Kwai San (Note 4, 5, 8)	Interest in a controlled corporation; interest held jointly with another person	300,960,000 (L)	62.70%
	Beneficial owner	480,000 (L)	0.10%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name	Capacity/Nature of interest	Number of issued ordinary shares interested	Percentage of the issued share capital of the Company
Mr. Chan Wing Kin (Note 9)	Beneficial owner	4,800,000 (L)	1.00%
Dr. Wang David Nin-kou (Note 10)	Beneficial owner	4,800,000 (L)	1.00%
Professor Chow Wai Shing, Tommy (Note 11)	Beneficial owner	120,000 (L)	0.03%
Mr. Wu Wing Kuen (Note 12)	Beneficial owner	120,000 (L)	0.03%
Mr. Chan Chung Kik, Lewis (Note 13)	Beneficial owner	120,000 (L)	0.03%

Notes:

- The letter "L" denotes a long position.
- The aggregate 300,960,000 Shares in which Mr. Zhao Yi Wen is interested consist of (i) 100,500,000 Shares held by First Global Limited, a company wholly owned by Mr. Zhao Yi Wen, in which Mr. Zhao Yi Wen is deemed to be interested under the SFO; and (ii) 200,460,000 Shares in which Mr. Zhao Yi Wen is deemed to be interested as a result of being a party acting-in-concert with Mr. Lin Qi Jian and Mr. Chiu Kwai San.
- The aggregate 300,960,000 Shares in which Mr. Lin Qi Jian is interested consist of (i) 100,500,000 Shares held by Star Eagle Enterprises Limited, a company wholly owned by Mr. Lin Qi Jian, in which Mr. Lin Qi Jian is deemed to be interested under the SFO; and (ii) 200,460,000 Shares in which Mr. Lin Qi Jian is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao Yi Wen and Mr. Chiu Kwai San.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

4. The aggregate 300,960,000 Shares in which Mr. Chiu Kwai San is interested consist of (i) 99,000,000 Shares held by Bigfair Enterprises Limited, a company wholly owned by Mr. Chiu Kwai San, in which Mr. Chiu Kwai San is deemed to be interested under the SFO; and (ii) 201,960,000 Shares in which Mr. Chiu Kwai San is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao Yi Wen and Mr. Lin Qi Jian.
5. On 8 June 2016, Mr. Lin Qi Jian, Mr. Zhao Yi Wen and Mr. Chiu Kwai San entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group. Details of the Concert Parties Confirmatory Deed are set out in the section headed "History, Reorganisation and Corporate Structure — Parties acting in concert" of the prospectus of the Company dated 16 December 2016.
6. Mr. Zhao Yi Wen is interested in the 480,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
7. Mr. Lin Qi Jian is interested in the 480,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
8. Mr. Chiu Kwai San is interested in the 480,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
9. Mr. Chan Wing Kin is interested in the 4,800,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
10. Dr. Wang David Nin-kou is interested in the 4,800,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
11. Professor Chow Wai Shing, Tommy is interested in the 120,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
12. Mr. Wu Wing Kuen is interested in the 120,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
13. Mr. Chan Chung Kik, Lewis is interested in the 120,000 underlying Shares which may be allotted and issued to him upon full exercise of all the options granted to him under the Share Option Scheme.
14. There were 480,000,000 Shares in issue as at 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register of the Company pursuant to section 352 of the SFO, or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

The interests of substantial shareholders and the interests and short position of other persons in the shares and underlying shares

As at 30 June 2021, so far as the Directors are aware, the interests or short positions owned by the following persons (other than the Directors or Chief Executive of the Company) in the shares or underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

Name	Capacity/Nature of interest	Number of issued ordinary shares interested	Percentage of the issued share capital of the Company
First Global Limited (Note 2, 5)	Beneficial owner; interest held jointly with another person	300,000,000 (L)	62.50%
Star Eagle Enterprises Limited (Note 3, 5)	Beneficial owner; interest held jointly with another person	300,000,000 (L)	62.50%
Bigfair Enterprises Limited (Note 4, 5)	Beneficial owner; interest held jointly with another person	300,000,000 (L)	62.50%
Ms. Zhuang Chan Ling (Note 6)	Interest of spouse	301,440,000 (L)	62.80%
Ms. Xie Wan (Note 7)	Interest of spouse	301,440,000 (L)	62.80%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Name	Capacity/Nature of interest	Number of issued ordinary shares interested	Percentage of the issued share capital of the Company
Ms. Wong Ching Ming (Note 8)	Interest of spouse	301,440,000 (L)	62.80%
GSR Capital Special Opportunity Fund L.P. (" GSR ") (Note 9)	Beneficial owner	56,000,000 (L)	11.67%
Golden Sand Capital Ltd (Note 9)	Interest in a controlled corporation	56,000,000 (L)	11.67%
Sonny Wu (Note 9)	Interest in a controlled corporation	56,000,000 (L)	11.67%
Great Ocean Prime Holding Limited (" Great Ocean ") (Note 10)	Beneficial owner	24,000,000 (L)	5.00%
Liou Jr-Liang (Note 10)	Interest in a controlled corporation	24,000,000 (L)	5.00%

Notes:

- The letter "L" denotes a long position.
- The aggregate 300,000,000 Shares in which First Global Limited is interested consist of (i) 100,500,000 Shares held by First Global Limited, a company wholly owned by Mr. Zhao Yi Wen, in which Mr. Zhao Yi Wen is deemed to be interested under the SFO; and (ii) 199,500,000 Shares in which Mr. Zhao Yi Wen is deemed to be interested as a result of being a party acting-in-concert with Mr. Lin Qi Jian and Mr. Chiu Kwai San.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. The aggregate 300,000,000 Shares in which Star Eagle Enterprises Limited is interested consist of (i) 100,500,000 Shares held by Star Eagle Enterprises Limited, a company wholly owned by Mr. Lin Qi Jian, in which Mr. Lin Qi Jian is deemed to be interested under the SFO; and (ii) 199,500,000 Shares in which Mr. Lin Qi Jian is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao Yi Wen and Mr. Chiu Kwai San.
4. The aggregate 300,000,000 Shares in which Bigfair Enterprises Limited is interested consist of (i) 99,000,000 Shares held by Bigfair Enterprises Limited, a company wholly owned by Mr. Chiu Kwai San, in which Mr. Chiu Kwai San is deemed to be interested under the SFO; and (ii) 201,000,000 Shares in which Mr. Chiu Kwai San is deemed to be interested as a result of being a party acting-in-concert with Mr. Zhao Yi Wen and Mr. Lin Qi Jian.
5. On 8 June 2016, Mr. Lin Qi Jian, Mr. Zhao Yi Wen and Mr. Chiu Kwai San entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert with each of the members of the Group. Details of the Concert Parties Confirmatory Deed are set out in the section headed "History, Reorganisation and Corporate Structure — Parties acting in concert" of the prospectus of the Company dated 16 December 2016.
6. Ms. Zhuang Chan Ling is the spouse of Mr. Zhao Yi Wen and is deemed, or taken to be, interested in the Shares in which Mr. Zhao Yi Wen has interest under the SFO.
7. Ms. Xie Wan is the spouse of Mr. Lin Qi Jian and is deemed, or taken to be, interested in the Shares in which Mr. Lin Qi Jian has interest under the SFO.
8. Ms. Wong Ching Ming is the spouse of Mr. Chiu Kwai San and is deemed, or taken to be, interested in the Shares in which Mr. Chiu Kwai San has interest under the SFO.
9. GSR is an exempted limited partnership with GoldenSand Capital Ltd ("**GoldenSand**") (a company which is wholly owned by Sonny Wu and being the general partner of GSR) and Sonny Wu (being the limited partner of GSR) holding 50% and 50% of the total capital contribution to GSR respectively, and therefore GoldenSand and Sonny Wu are deemed to be interested in the 56,000,000 Shares held by GSR under SFO.
10. Great Ocean is a company wholly owned by Liou Jr-Liang and therefore Liou Jr-Liang is deemed to be interested in the 24,000,000 Shares held by Great Ocean under SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or Chief Executive of the Company) in the shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

Share Option Scheme

The Company's Share Option Scheme was conditionally approved and adopted by the Company pursuant to the written resolutions of the then all shareholders of the Company dated 2 December 2016. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

On 17 June 2021, the Company granted a total of 34,510,000 options, with exercise price of HK\$7.5 per share of the Company (the "**Share**"), to the Directors and certain eligible employees of the Group. On the date of grant, the closing price was HK\$7.5 per Share. On the date immediately before the options were granted, the closing price was HK\$7.35 per Share.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Details of the interests of the Directors, chief executive, senior management and other employees of the Group in the Share Option Scheme are set out below:

Grantee	Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK\$)	Number of Shares in relation to outstanding options as at the date of grant	Granted between the date of grant and 30 June 2021	Exercised between the date of grant and 30 June 2021	Cancelled between the date of grant and 30 June 2021	Lapsed between the date of grant and 30 June 2021	Number of Shares in relation to outstanding options as at 30 June 2021		
<i>Executive Directors:</i>												
Mr. Zhao Yi Wen	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	480,000	—	—	—	—	480,000		
Mr. Lin Qi Jian	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	480,000	—	—	—	—	480,000		
Mr. Chan Wing Kin	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	4,800,000	—	—	—	—	4,800,000		
<i>Non-executive Directors:</i>												
Dr. Wang David Nin-kou	17/6/2021	17/6/2021–16/6/2022	17/6/2022–16/6/2026	7.5	1,200,000	—	—	—	—	1,200,000		
		17/6/2021–16/6/2023	17/6/2023–16/6/2027	7.5	1,200,000	—	—	—	—	1,200,000		
		17/6/2021–16/6/2024	17/6/2024–16/6/2028	7.5	1,200,000	—	—	—	—	1,200,000		
		17/6/2021–16/6/2025	17/6/2025–16/6/2029	7.5	1,200,000	—	—	—	—	1,200,000		
		17/6/2021–16/6/2024	17/6/2021–16/6/2024	7.5	480,000	—	—	—	—	480,000		
Mr. Chiu Kwai San	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	480,000	—	—	—	—	480,000		
<i>Independence Non-executive Directors:</i>												
Professor Chow Wai Shing, Tommy												
Mr. Tommy	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	120,000	—	—	—	—	120,000		
Mr. Wu Wing Kuen, B.B.S.	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	120,000	—	—	—	—	120,000		
Mr. Chan Chung Kik, Lewis	17/6/2021	Nil	17/6/2021–16/6/2024	7.5	120,000	—	—	—	—	120,000		
Subtotal					11,400,000	—	—	—	—	11,400,000		
<i>Senior management and other employees in aggregate</i>												
17/6/2021	Nil	17/6/2021–16/6/2024	17/6/2021–16/6/2024	7.5	5,760,000	—	—	—	—	5,760,000		
		17/6/2021–16/6/2022	17/6/2021–16/6/2029	7.5	4,050,000	—	—	—	—	4,050,000		
		17/6/2021–16/6/2022	17/6/2022–16/6/2026	7.5	250,000	—	—	—	—	250,000		
		17/6/2021–16/6/2023	17/6/2023–16/6/2027	7.5	250,000	—	—	—	—	250,000		
		17/6/2021–16/6/2024	17/6/2024–16/6/2028	7.5	250,000	—	—	—	—	250,000		
		17/6/2021–16/6/2025	17/6/2025–16/6/2029	7.5	250,000	—	—	—	—	250,000		
		17/6/2021–16/6/2022	(Note 1)	17/6/2022–16/6/2026	7.5	1,450,000	—	—	—	—	1,450,000	
		17/6/2021–16/6/2023	(Note 1)	17/6/2023–16/6/2027	7.5	1,450,000	—	—	—	—	1,450,000	
		17/6/2021–16/6/2024	(Note 1)	17/6/2024–16/6/2028	7.5	1,450,000	—	—	—	—	1,450,000	
		17/6/2021–16/6/2025	(Note 1)	17/6/2025–16/6/2029	7.5	1,450,000	—	—	—	—	1,450,000	
		17/6/2021–16/6/2029	(Note 1)	17/6/2021–16/6/2029	7.5	6,500,000	—	—	—	—	6,500,000	
		Subtotal					23,110,000	—	—	—	—	23,110,000
		Total					34,510,000	—	—	—	—	34,510,000

Note:

- Vesting of the Share Options is conditional upon achievement of certain performance targets by the Grantees.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Exempted Continuing Connected Transaction

During the Period, the Group entered into certain transactions with “related parties” as defined under the applicable accounting standards and the details of the material related party transactions (the “**Transactions**”) are disclosed in note 18 to the condensed consolidated financial statements of this report.

The Transactions falls under the definition of “connected transactions” or “continuing connected transactions” under Chapter 14A of the Listing Rules, but are fully exempted from shareholders’ approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Significant Investments

As at 30 June 2021, there was no significant investment held by the Group.

Material Acquisitions and Disposals

On 24 February 2021, the Company entered into a Sales and Purchase Agreement (the “**SPA**”) with independent third parties, to acquire GSR GO Holding Corporation (the “**GSR GO**”) together with its subsidiary (the “**GSR GO Group**”), at a total consideration of HK\$76.8 million involving issue of consideration shares at the issue price of HK\$0.96 per consideration share. The GSR GO Group is principally engaged in the research and development of fast charging solutions for battery system. On 7 May 2021, the acquisition was successfully completed and GSR GO has become a wholly-owned subsidiary of the Company.

Save as disclosed above, the Group did not carry out any material acquisition nor disposal of any subsidiary during the Period.

Capital Commitments

As at 30 June 2021, the Group had capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to RMB0.2 million (31 December 2020: approximately RMB0.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Charge on the Group's assets

As at 30 June 2021, charges were created over the right-of-use assets of approximately RMB0.2 million under a lease arrangement (31 December 2020: approximately RMB0.9 million).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities.

Foreign Exchange Exposure

The Group's main operations are in the PRC with most of its transactions settled in RMB. The Directors are of the opinion that the Group's exposure to foreign exchange risk is insignificant. During the Period, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 30 June 2021, the Group employed 134 employees (31 December 2020: 143 employees). Employee costs (including Directors' remuneration, wages, salaries and other benefits and contribution to defined contribution pension plans) amounted to approximately RMB50.1 million for the Period (Previous Period: approximately RMB4.2 million). Apart from basic remuneration, share options may be granted under the Share Option Scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the performance of the Company and the employees.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). The Company had also made specific enquiry of all the Directors and the Company is not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by the Directors during the Period.

Corporate Governance and Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Save for the Code Provision A.2.1 of the CG Code, the Board is satisfied that the Company had complied with the CG Code during the Period.

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhao Yi Wen ("**Mr. Zhao**") is both the chairman of the Board and the chief executive officer of the Company. In view of Mr. Zhao being one of the founders of the Group and has been operating and managing Zhuhai HongGuang, the operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Zhao taking up both roles for effective management and business development.

Disclosure of Change of Information of Director under Rules 13.51B(1) of the Listing Rules

Dr. Wang David Nin-kou was appointed as a Non-Executive Director of the Company with effect from 17 June 2021.

Mr. Chan Chung Kik, Lewis, has resigned as an independent non-executive director of Hong Kong Aerospace Technology Group Limited (formerly known as "Eternity Technology Holdings Limited"), a company listed on the Main Board of the Stock Exchange (Stock Code: 1725), with effect from 16 July 2021.

Saved as disclosed above, there is no change in the information of each Director that is required to be disclosed under Rules 13.51B(1) of the Listing Rules, since the publication of annual report for the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Audit Committee and Review of Accounts

The audit committee of the Company (the “**Audit Committee**”) has discussed and reviewed with management, the unaudited condensed consolidated financial statements of the Group for the Period, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Chung Kik, Lewis, Mr. Wu Wing Kuen, B.B.S. and Professor Chow Wai Shing, Tommy. Mr. Chan Chung Kik, Lewis is the chairman of the Audit Committee who has appropriate professional qualifications and experience as required by the Listing Rules.

By order of the Board

HongGuang Lighting Holdings Company Limited

Zhao Yi Wen

Chairman and Executive Director

Hong Kong, 27 August 2021

As at the date of this report, the executive Directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the non-executive Directors are Dr. Wang David Nin-kou and Mr. Chiu Kwai San; and the Independent non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.

** For identification purpose only*