



HG Semiconductor Limited

宏光半導體有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 6908

**INTERIM
REPORT
2025**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. XU Zhihong (徐志宏) (*Chairman*)

Mr. ZHAO Yi Wen (趙奕文)

Mr. LI Yang (李陽)

Mr. LEUNG Kin Pang (梁健鵬)

(Removed on 7 January 2025)

Independent Non-executive Directors

Mr. ZOU Haiyan (鄒海燕)

Mr. SIU Miu Man, Simon, *MH* (蕭妙文)

Ms. LIU Wanwen (劉琬文)

AUDIT COMMITTEE

Mr. ZOU Haiyan (鄒海燕) (*Chairman*)

Mr. SIU Miu Man, Simon, *MH* (蕭妙文)

Ms. LIU Wanwen (劉琬文)

NOMINATION COMMITTEE

Dr. XU Zhihong (徐志宏) (*Chairman*)

Mr. ZOU Haiyan (鄒海燕)

Mr. SIU Miu Man, Simon, *MH* (蕭妙文)

Ms. LIU Wanwen (劉琬文)

(Appointed as member on 30 June 2025)

REMUNERATION COMMITTEE

Mr. ZOU Haiyan (鄒海燕) (*Chairman*)

Dr. XU Zhihong (徐志宏)

Mr. SIU Miu Man, Simon, *MH* (蕭妙文)

COMPANY SECRETARY

Ms. TSANG Ngo Yin (曾傲嫻)

AUTHORISED REPRESENTATIVES

Mr. ZHAO Yi Wen (趙奕文)

Ms. TSANG Ngo Yin (曾傲嫻)

REGISTERED OFFICE

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman

KY1-1108

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

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Zhuhai

PRC

HEAD OFFICE AND PLACE OF BUSINESS IN HONG KONG

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West Tower, Shun Tak Centre

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CORPORATE INFORMATION (CONTINUED)

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3
Regatta Office Park
P.O. Box 1350
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Bank of China
Zhuhai Xiangzhou Sub-branch
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PRC

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

LEGAL ADVISER

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place
Central
Hong Kong

FINANCIAL ADVISER

Octal Capital Limited
801–805, 8th Floor
Nan Fung Tower
88 Connaught Road Central
Hong Kong

AUDITOR

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
3203A–05 Tower 2
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Admiralty
Hong Kong

STOCK CODE

6908

COMPANY'S WEBSITE

www.hg-semiconductor.com

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

For the six months ended 30 June 2025

The board (the “**Board**”) of the directors (the “**Directors**”) of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2025 (the “**Period**”), together with the unaudited comparative figures for the corresponding period in 2024 (the “**Previous Period**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

Six months ended 30 June			
	Notes	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Revenue	4	33,061	34,252
Cost of sales		(29,847)	(31,534)
Gross profit		3,214	2,718
Other income and gains	4	351	6,785
Selling and distribution expenses		(1,437)	(1,595)
Administrative and other expenses		(65,693)	(62,949)
Provision on expected credit losses on trade and bills receivables		(176)	—
Finance costs	5	(2,263)	(2,164)
Loss before income tax expense		(66,004)	(57,205)
Income tax expense	6	—	—
Loss for the period		(66,004)	(57,205)
Other comprehensive (expense)/income for the period			
Items that will not be reclassified to profit or loss:			
Exchange difference on translation to presentation currency		(5,296)	8,504
Change in fair value of financial assets at fair value through other comprehensive income (“OCI”)		(78,381)	(66,479)
Total comprehensive expense for the period		(149,681)	(115,180)
Loss for the period attributable to:			
Owners of the Company		(59,293)	(54,246)
Non-controlling interests		(6,711)	(2,959)
		(66,004)	(57,205)
Total comprehensive expense attributable to:			
Owners of the Company		(142,970)	(112,025)
Non-controlling interests		(6,711)	(3,155)
		(149,681)	(115,180)
Loss per share attributable to owners of the Company during the period			
— Basic and diluted (RMB cents)	8	(7.70)	(7.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

	Notes	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	196,833	189,979
Intangible assets	10	338	448
Financial assets at fair value through OCI	14	98,374	181,926
Prepayments and deposits	12	1,409	1,411
Deferred tax assets		4,186	4,186
		301,140	377,950
Current assets			
Inventories		55,867	59,018
Trade and bills receivables	11	75,690	67,242
Prepayments, deposits and other receivables	12	70,734	81,994
Financial assets at fair value through profit or loss	13	32,124	34,631
Cash and cash equivalents	15	45,782	8,779
		280,197	251,664
Current liabilities			
Trade payables	16	15,088	19,347
Other payables and accruals		15,147	15,824
Bank borrowings	17	10,000	10,000
Lease liabilities		3,101	3,036
		43,336	48,207
Net current assets		236,861	203,457
Non-current liabilities			
Lease liabilities		5,074	3,618
		5,074	3,618
Net assets		532,927	577,789
EQUITY			
Equity attributable to owners of the Company			
Share capital		8,419	6,664
Reserves		494,267	534,173
		502,686	540,837
Non-controlling interests		30,241	36,952
Total equity		532,927	577,789

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

	Equity attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Share option/ reserve	Statutory reserve	Other reserve	Capital reserve	Investment revaluation reserve	Exchange reserve	Accumulated losses	Subtotal			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2025 (audited)	6,664	1,067,144	18,695	15,498	580	35,972	9,570	1,089	(614,375)	540,837	36,952	577,789	
Loss for the period	—	—	—	—	—	—	—	—	(59,293)	(59,293)	(6,711)	(66,004)	
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	(5,296)	—	(5,296)	—	(5,296)	
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	(78,381)	—	—	(78,381)	—	(78,381)	
Total comprehensive expense for the period	—	—	—	—	—	—	(78,381)	(5,296)	(59,293)	(142,970)	(6,711)	(149,681)	
Placing of new shares	1,755	82,273	—	—	—	—	—	—	—	84,028	—	84,028	
Lapse of share options	—	—	(858)	—	—	—	—	—	858	—	—	—	
Forfeit of share options and share awards	—	—	(738)	—	—	—	—	—	738	—	—	—	
Recognition of equity-settled share-based payment expenses	—	—	20,791	—	—	—	—	—	—	20,791	—	20,791	
At 30 June 2025 (unaudited)	8,419	1,149,417	37,890	15,498	580	35,972	(68,811)	(4,207)	(672,072)	502,686	30,241	532,927	
At 1 January 2024 (audited)	6,664	1,067,144	47,176	15,498	580	35,972	41,802	(9,088)	(522,018)	683,730	36,880	720,610	
Loss for the period	—	—	—	—	—	—	—	—	(54,246)	(54,246)	(2,959)	(57,205)	
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	8,504	—	8,504	—	8,504	
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	(66,283)	—	—	(66,283)	(196)	(66,479)	
Total comprehensive (expense) income for the period	—	—	—	—	—	—	(66,283)	8,504	(54,246)	(112,025)	(3,155)	(115,180)	
Disposal of equity interests to non-controlling interests	—	—	—	—	—	—	—	—	20,852	20,852	29,494	50,346	
Forfeit of share options	—	—	(4,594)	—	—	—	—	—	4,594	—	—	—	
Lapse of share options	—	—	(30,973)	—	—	—	—	—	30,973	—	—	—	
Recognition of equity-settled share-based payment expenses	—	—	5,002	—	—	—	—	—	—	5,002	—	5,002	
At 30 June 2024 (unaudited)	6,664	1,067,144	16,611	15,498	580	35,972	(24,461)	(584)	(519,845)	597,559	63,219	680,778	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Cash flows from operating activities		
Loss before income tax	(66,004)	(57,205)
Adjustments for:		
Depreciation of property, plant and equipment	8,572	6,525
Amortisation of intangible assets	110	176
Interest income	(8)	(23)
Finance costs	2,263	2,164
Share-based payment	20,791	29,817
Provision of expected credit losses on trade and bills receivables	176	—
Change in fair value of financial assets at fair value through profit or loss	1,551	(785)
Written off of property, plant and equipment	1	—
Operating loss before working capital changes	(32,548)	(19,331)
Decrease/(increase) in inventories	3,151	(6,566)
Increase in trade and bills receivables	(8,624)	(8,600)
Decrease in prepayments, deposits and other receivables	11,262	7,194
Decrease in trade and other payables	(4,936)	(7,351)
Cash used in operations	(31,695)	(34,654)
Income tax paid	—	(25)
Net cash flows used in operating activities	(31,695)	(34,679)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Cash flows from investing activities		
Purchases of property, plant and equipment	(11,569)	(9,250)
Proceed from disposal of property, plant and equipment	—	261
Disposal of financial assets at fair value through OCI	—	17,780
Interest received	8	23
Net cash flows (used in)/generated from investing activities	(11,561)	8,814
Cash flows from financing activities		
Interest paid	(1,935)	(1,797)
Repayment of interest portion of the lease liabilities	(328)	(367)
Proceeds from placing of new shares	84,028	—
Repayments of principal portion of the lease liabilities	(1,931)	(598)
Proceeds from bank borrowings	10,000	10,000
Repayments of bank borrowings	(10,000)	(10,000)
Net cash flows generated/(used in) from financing activities	79,834	(2,762)
Net increase/(decrease) in cash and cash equivalents	36,578	(28,627)
Effect of exchange rate changes on cash and cash equivalents	425	1,031
Cash and cash equivalents at the beginning of period	8,779	49,287
Cash and cash equivalents at the end of period	45,782	21,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. GENERAL INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

HG Semiconductor 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, gallium nitride (“**GaN**”) chips, GaN components and related application products, and fast charging products in the PRC.

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 2025 are consistent with those adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2024 except for the adoption of the new and revised HKFRS Accounting Standards (which include all HKFRS Accounting Standards, 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 2025. 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 2025

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 2025 have been prepared on the historical cost basis, except for the financial assets at fair value through other comprehensive income and financial assets 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 2025 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 HKFRS ACCOUNTING STANDARDS

The Group has applied the same accounting policies in these interim condensed consolidated financial statements as in its 2024 annual consolidated financial statements, except that it has adopted the following amendments to HKFRS Accounting Standards:

Amendments to HKAS 21

Lack of Exchangeability

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 2025

3. SEGMENT INFORMATION

The chief operating decision makers are identified as executive directors of the Company. The Group has identified its operating segment based on the regular internal financial information reported to the Company's executive directors for their decisions about resources allocation and review of performance. The Group's operating segment is design, development, manufacturing, and sales of semiconductor products, including LED beads, GaN chips, GaN components and related application products in the PRC. The executive directors of the Company determined there were two reportable and operating segments which are (i) LED products and (ii) GaN and other semiconductor products.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Six months ended 30 June 2025			Six months ended 30 June 2024		
	LED products RMB'000 (unaudited)	GaN and other semiconductor products RMB'000 (unaudited)	Total RMB'000 (unaudited)	LED products RMB'000 (unaudited)	GaN and other semiconductor products RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue	24,930	8,131	33,061	33,220	1,032	34,252
Segment result	(3,084)	(31,711)	(34,795)	(5,327)	(44,803)	(50,130)
Other unallocated						
Other income and gains			351			6,785
Other administrative expenses			(29,297)			(11,696)
Finance costs			(2,263)			(2,164)
Loss before income tax expense			(66,004)			(57,205)

No geographical information is presented as most of the Group's operations are located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, less value added tax and other applicable local taxes during the reporting period. The Group is principally engaged in the design, development, manufacturing, and sales of semiconductor products, including LED beads, GaN chips, GaN components and related application products in the PRC.

The sales contract terms do not allow rebate, discount, warranties and return on revenue. During the six months ended 30 June 2025 and 2024, there were 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		
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
LED products		
Revenue recognised at a particular point in time		
Sales of LED beads	24,930	33,220
Sales of GaN and fast-charging products	8,131	1,032
	33,061	34,252
Other income and gains		
Bank interest income	8	23
Government grants (Note)	263	4,310
Other income	80	2,452
	351	6,785

Note: Government grants include various subsidies received by the Group from relevant government bodies in connection with certain subsidies to support the Group's businesses. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

5. FINANCE COSTS

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Interest on bank borrowings	1,935	1,797
Interest on lease liabilities	328	367
	2,263	2,164

6. 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 subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2025 and 2024. For the six months ended 30 June 2025, the first HK\$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group’s Hong Kong subsidiaries had no estimated assessable profits for the reporting period (2024: Nil).

Corporate income tax is charged on a subsidiary operating in United States of America (“USA”) at a rate of 21% (2024: 21%) on taxable income for the six months ended 30 June 2025.

In 2022, the Group’s wholly-owned subsidiary, Zhuhai HongGuang Semiconductor Company Limited (“Zhuhai HongGuang”) has successfully renewed the “New and High Technology Enterprise Certificate” (高新技術企業證書) for three years commencing from 1 January 2022. As a result, Zhuhai HongGuang is entitled to a tax preference with a reduction of the enterprise income tax (the “EIT”) rate from 25% to 15% for the period from 1 January 2022 to 31 December 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

6. INCOME TAX EXPENSE (Continued)

The expiry date of Zhuhai HongGuang's New and High Technology Enterprise Certificate is 31 December 2024. Pursuant to the relevant PRC enterprise income tax law, regulations and implementation guidance notes, Zhuhai HongGuang can, as a transitional measure, continue to pay the EIT at the preferential rate of 15% until the renewal approval of the New and High Technology Enterprise qualification before end of 2025.

Therefore, provision for the EIT in the PRC for Zhuhai HongGuang is calculated based on the tax rate of 15% on Zhuhai HongGuang's estimated assessable profits for the six months ended 30 June 2025 and 2024.

7. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2025 (2024: Nil), or by any of the companies now comprising the Group during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

8. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
Loss		
Loss for the period attributable to owners of the Company	(59,293)	(54,246)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	769,727,418	751,054,785
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 per share	769,727,418	751,054,785

Notes:

- (i) Basic loss per share is calculated by dividing loss 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 2025 and 2024, 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 2025

9. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

As at 30 June 2025, the right-of-use assets of the Group mainly consisted of the property leases of Hong Kong office, Xuzhou plant and Zhuhai plant.

The property leases includes an amount of approximately RMB3.0 million (31 December 2024: approximately RMB0.1 million) leased from 珠海經濟特區利佳電子發展有限公司 (transliterated as Zhuhai Special Economic Zone Lijia Electronics Development Co., Ltd.*), a related party of the Group which is beneficially owned by a shareholder of the Company, Mr. Zhao Yi Wen, who is also a director of the Company, with lease term of 10 years from 1 April 2025 to 31 March 2035.

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2025, the Group acquired items of property, plant and equipment with a cost of approximately RMB15.0 million (six months ended 30 June 2024: approximately RMB9.3 million). Property, plant and equipment of the Group with a net book value of approximately RMB1,000 was written off during the six months ended 30 June 2025 (six months ended 30 June 2024: approximately RMB3.0 million).

10. INTANGIBLE ASSETS

As at 30 June 2025 and 31 December 2024, the Group's intangible assets consist of patent sublicense and computer software. During the six months ended 30 June 2025, the Group did not acquire or dispose any intangible assets (six months ended 30 June 2024: Nil). Amortisation charged for the six months ended 30 June 2025 amounted to approximately RMB0.1 million (six months ended 30 June 2024: approximately RMB0.2 million).

As at 30 June 2025, the carrying amount of the Group's intangible assets was approximately RMB0.3 million (31 December 2024: approximately RMB0.4 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Trade receivables	60,670	54,267
Bills receivables	15,020	12,975
	75,690	67,242

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

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
0 to 30 days	40,919	34,573
31 to 60 days	7,044	8,858
61 to 90 days	11,983	6,719
91 to 120 days	5,461	4,945
121 to 365 days	8,022	7,264
Over 1 year	17,824	20,270
	91,253	82,629
Less: Impairment of trade and bills receivables	(15,563)	(15,387)
	75,690	67,242

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Other receivables	32,692	36,490
Prepayments and deposits (Note)	39,451	46,915
	72,143	83,405
Less: non-current portion		
Prepayments and deposits for acquisition of property, plant and equipment	(1,409)	(1,411)
Current portion	70,734	81,994

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

Note: The amount includes the prepayment to the independent third parties suppliers amounted to approximately RMB36.4 million (31 December 2024: approximately RMB42.8 million) for purchase of raw materials.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent the investment in an unlisted fund. Fair value loss of approximately RMB1.6 million was recognised in profit or loss during the six months ended 30 June 2025.

As at 30 June 2025, the fair value of financial assets at fair value through profit or loss was approximately RMB32.1 million (31 December 2024: approximately RMB34.6 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Financial assets at fair value through other comprehensive income		
— Unlisted equity securities, at fair value	98,374	181,926

The unlisted equity securities were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature, which includes:

- a. In 2021, the Group invested in 10% of the ordinary shares of a company in the PRC (the “**PRC Company Shares**”) at the consideration of RMB15 million for investment purpose (the “**PRC Company Investment**”). The number of PRC Company Shares acquired represented approximately 7.73% of the total issued ordinary shares of this PRC company as at 30 June 2025. The fair value of the PRC Company Investment as at 30 June 2025 was zero (31 December 2024: nil).
- b. In 2021, the Group acquired 1,749,961 non-redeemable series E preferred shares of an unlisted company in Israel (the “**Israeli Company**”) principally engaged in developing GaN related products including high-power transistors and modules at the consideration of approximately US\$25.0 million (the “**Israeli Company Investment**”). The total number of shares of the Israeli Company acquired represented approximately 12.87% of the total equity shares of the Israeli Company as at 30 June 2025. The fair value of the Israeli Company Investment as at 30 June 2025 was approximately US\$13.7 million, equivalent to approximately RMB98.4 million (31 December 2024: approximately US\$24.9 million, equivalent to approximately RMB181.9 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”) (Continued)

The Company engaged an independent professional valuer (the “Valuer”) to measure the fair value of the Israeli Company Investment as at 30 June 2025. For the valuation of the Israeli Company Investment, the hybrid method, which makes use of probability-weighted expected return method, prior transaction method and an option pricing model, is applied to calculate the value. The underlying equity value of the Israeli Company is developed through the prior transaction method under the market approach. Taking into account a Capital Injection transaction conducted by an independent third party on 5 March 2025, this methodology uses prior transactions of the Israeli Company as an indicator of current value. The Valuer applies an option pricing model to back-solve the implied equity value of the Israeli Company as at 30 June 2025, as the capital structure of the Israeli Company involves ordinary shares and multiple series of preferred shares.

During the six months ended 30 June 2025, there was no acquisition of and disposal on the FVTOCI.

The Company engaged an independent professional valuer to measure the fair value of the unlisted equity securities as at 30 June 2025. Fair value loss of approximately RMB78.4 million (six months ended 30 June 2024: approximately RMB66.5 million) was recognised in other comprehensive income during the six months ended 30 June 2025.

15. CASH AND CASH EQUIVALENTS

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Bank balances and cash	45,782	8,779
Denominated in RMB	24,541	7,473
Denominated in HK\$	20,777	1,166
Denominated in US\$	464	141

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

15. CASH AND CASH EQUIVALENTS (Continued)

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.

16. TRADE PAYABLES

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Trade payables	15,088	19,347

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

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
0 to 30 days	5,139	7,364
31 to 60 days	3,332	4,273
61 to 90 days	2,677	2,852
91 to 120 days	1,604	1,283
121 to 365 days	1,340	1,718
Over 1 year	996	1,857
	15,088	19,347

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

17. BANK BORROWINGS

	As at 30 June 2025 RMB'000 (unaudited)	As at 31 December 2024 RMB'000 (audited)
Bank loans — unsecured (Note i)	10,000	10,000
	10,000	10,000

Note:

- (i) As at 30 June 2025, the effective interest rates of the unsecured interest-bearing bank borrowings was 3.35% (31 December 2024: 3.35%) 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 2025

18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2025, 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	
		2025 RMB'000 (unaudited)	2024 RMB'000 (unaudited)
珠海經濟特區利佳電子發展有限公司 (transliterated as Zhuhai Special Economic Zone Lijia Electronics Development Co., Ltd)	Utility expense	689	813
珠海經濟特區利佳電子發展有限公司 (transliterated as Zhuhai Special Economic Zone Lijia Electronics Development Co., Ltd)	Rental expense	186	186
		875	999

Note: The related party is beneficially owned by a shareholder of the Company, Mr. Zhao Yi Wen, who is also a director of the Company.

19. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

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 ("**2021 Share Options**") for a consideration of HK\$1 per grant.

On 28 July 2023, the Company conditionally granted 7,890,000 options to 48 grantees to subscribe for an aggregate of 7,890,000 shares under the Share Option Scheme ("**2023 Share Options**") for a consideration of HK\$1 per grant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

The following tables disclose details of movements of the Company's 2021 Share Options held by Senior Management and employees of the Group during the Period:

Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK\$)	Outstanding at 1 January 2025	Number of share options			Lapsed or forfeited during the Period	Outstanding at 30 June 2025	Vested and exercisable at 30 June 2025
					Granted during the Period	Exercised during the Period	Cancelled during the Period			
Senior management and other employees										
17/6/2021	Nil (Note 3)	17/6/2021–16/6/2029	7.50	1,650,000	–	–	–	–	1,650,000	1,650,000
	17/6/2021–16/6/2022 (Note 4)	17/6/2022–16/6/2026	7.50	1,137,500	–	–	–	–	1,137,500	1,137,500
	17/6/2021–16/6/2023 (Note 4)	17/6/2023–16/6/2027	7.50	250,000	–	–	–	–	250,000	250,000
	17/6/2021–16/6/2024 (Note 4)	17/6/2024–16/6/2028	7.50	250,000	–	–	–	–	250,000	250,000
	17/6/2021–16/6/2025 (Note 4)	17/6/2025–16/6/2029	7.50	250,000	–	–	–	–	250,000	250,000
	17/6/2021–16/6/2029 (Note 1)	From vesting date–16/6/2029	7.50	2,500,000	–	–	–	(2,500,000)	–	–
	17/6/2021–16/6/2029 (Note 2)	From vesting date–16/6/2029	7.50	3,000,000	–	–	–	–	3,000,000	–
				9,037,500	–	–	–	(2,500,000)	6,537,500	3,537,500

The following tables disclose details of movements of the Company's 2023 Share Options held by Senior Management and employees of the Group during the Period:

Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK\$)	Outstanding at 1 January 2025	Number of share options				Outstanding at 30 June 2025	Vested and exercisable at 30 June 2025	
					Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed or forfeited during the Period			
Senior management and other employees											
28/7/2023	28/7/2023-30/6/2024 (Note 4)	30/6/2024-30/6/2025	1.40	2,076,250	—	—	—	(2,076,250) ^{(a)(b)}	—	—	
	28/7/2023-30/6/2025 (Note 4)	30/6/2025-30/6/2026	1.40	2,076,250	—	—	—	(18,750)	2,057,500	2,057,500	
				4,152,500	—	—	—	(2,095,000)	2,057,500	2,057,500	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Option Scheme (Continued)

Notes:

1. Vesting of the Share Options is conditional upon successfully procuring financing for the Group in the amount and from financial institutions of the satisfaction of the Group by the grantees within the vesting period.
2. Vesting of the Share Options is conditional upon successfully procuring certain target company to become a customer of the Group by the grantees within the vesting period.
3. Vesting of the Share Options immediately at grant date.
4. Share Options are exercisable when the grantees retain employment in the Group until the end of the vesting period.
5. Lapsed as the exercisable period has ended on 30 June 2025.

The estimated fair value of the 2021 Share Options granted on the grant date was approximately HK\$122,873,000. On the date of grant, the closing price was HK\$7.5 per Share.

The estimated fair value of the 2023 Share Options granted on the grant date was approximately HK\$4,177,000. On the date of the grant, the closing price was HK\$1.25 per Share.

During the six months ended 30 June 2025, the Company recognised expense for services rendered during the vesting period under the Share Option Scheme of approximately RMB2.9 million (Six months ended 30 June 2024: expenses of approximately RMB3.0 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Award Scheme

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 29 December 2023 (the “**Adoption Date**”). The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which period no further share awards (the “**Awarded Shares**”) shall be granted but the rules of the Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to any Awards made before the expiry of such period.

The objectives of the Share Award Scheme are (i) to recognize the contributions by certain eligible participants of the Share Award Scheme and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The maximum number of Shares in respect of which Awards may be granted under the Share Award Scheme and Shares in respect of which options and/or awards may be granted or which may be awarded under any other share schemes must not in aggregate exceed 10% of the Shares in issue (i.e. 751,054,785 Shares) as at the Adoption Date.

On 31 January 2024, a total of 7,540,000 Awarded Shares were granted by the Company, to 25 employee participants, under the Share Award Scheme (the “**First Batch Share Award**”).

As at 30 June 2025, details of the interests of the employee participants in the First Batch Share Award are set out below:

Date of grant	Vesting period	Outstanding at 1 January 2025	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Forfeited during the Period	Outstanding at 30 June 2025	Vested and exercisable at 30 June 2025
Senior Management and other employees									
31/1/2024	31/1/2024–30/1/2025 (Note 1)	7,330,000	–	–	–	–	(970,000)	6,360,000	6,360,000
		7,330,000	–	–	–	–	(970,000)	6,360,000	6,360,000

Note:

- 6,360,000 Awarded Shares were vested on 30 January 2025. These vested Awarded Shares were still in the administrative process to be allotted and issued to the respective grantees as at 30 June 2025.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Award Scheme (Continued)

The estimated fair value of the Awarded Shares in relation to the First Batch Share Award granted on 31 January 2024 was approximately RMB4.7 million. On the date of grant, the closing price of the Shares was HK\$0.69 per Share. The fair value measurement was made based on the number of Awarded Shares and the market price per Share on the date of grant and also on the part that no performance target is required and the awarded shares will be vested in the grantees on the expiry of 12 months from the date of grant.

During the six months ended 30 June 2025, the Company recognised expense under the First Batch Share Award of approximately RMB0.3 million (Six months ended 30 June 2024: approximately RMB2.0 million).

On 4 December 2024, a total of 67,565,478 Awarded Shares were granted by the Company, to 7 Directors and 25 employee participants of the Group, under the Share Award Scheme (“**Second Batch Share Award**”).

As at 30 June 2025, details of the interests of the employee participants of the Group in the Second Batch Share Award are set out below:

Date of grant	Vesting period	Outstanding at 1 January 2025	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Forfeited during the Period	Number of adjustments on the Granted Awarded Shares as result of completion of Rights Issues (Note 1)	Outstanding at 30 June 2025 (Note 1)	Vested and exercisable at 30 June 2025
Directors of the Company										
4/12/2024	4/12/2024–3/12/2025	2,850,000	–	–	–	–	–	712,500	3,562,500	–
		2,850,000	–	–	–	–	–	712,500	3,562,500	–
Senior Management and other employees										
4/12/2024	4/12/2024–3/12/2025	63,965,478	–	–	–	–	(35,478)	15,982,500	79,912,500	–
		63,965,478	–	–	–	–	(35,478)	15,982,500	79,912,500	–
		66,815,478	–	–	–	–	(35,478)	16,695,000	83,475,000	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Award Scheme (Continued)

Note 1: Reference is made to the announcement of the Company dated 6 February 2025 in relation to, among others, the rights issue of the Company on the basis of one (1) rights share for every four (4) shares held on the record date (the “**Rights Issue**”), the Rights Issue has been completed, following which the total number of issued Shares increased from 751,054,785 to 938,818,481. Upon the completion of the Rights Issue, there were 66,780,000 Awarded Shares which were granted but yet to be vested (the “**2024 Dec Awarded Shares**”). The adjustments in the event of a rights issue of the Company for restoring to the extent possible the percentage shareholding represented by the 2024 Dec Awarded Shares to such level before the completion of the Rights Issue is in accordance with the terms and conditions of the 2023 Share Award Scheme, and is in compliance with (i) Rule 17.03(13) of the Listing Rules; and (ii) the Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note to such Rule set out in appendix 1 to the Frequently Asked Question FAQ13 — No.1-20 issued by the Stock Exchange in November 2020 and updated in June 2024. An independent financial adviser has confirmed to the Directors in writing that the above-mentioned adjustments satisfy the requirements set out in the Listing Rules.

The estimated fair value of the Awarded Shares in relation to the Second Batch Share Award granted on 4 December 2024 was approximately RMB35.9 million. On the date of grant, the closing price of the Shares was HK\$0.57 per Share. The fair value measurement was made based on the number of Awarded Shares and the market price per Share on the date of grant and also on the part that no performance target is required and the Awarded Shares will be vested in the grantees on the expiry of 12 months from the date of grant.

During the six months ended 30 June 2025, the Company recognised expense under the Second Batch Share Award of approximately RMB17.6 million (Six months ended 30 June 2024: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2025

19. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Employee Share Incentive Scheme

The Group has adopted an employee share incentive scheme (the “**Employee Share Incentive Scheme**”) to recognise the contributions made by certain employees of the Group (the “**Awardees**”) and to provide the Awardees with opportunities to indirectly invest in Jiangsu Jiahong Semiconductor Co., Ltd and share the future growth and success of Jiangsu Jiahong Semiconductor Co., Ltd through the employee shareholding platform, namely Xuzhou Diheng Semiconductor Technology Partnership* (徐州地恒半導體科技合夥企業(有限合夥)) (the “**Employee Shareholding Platform**”).

An aggregate of 99% partnership interests in the Employee Shareholding Platform to selected participants under the Employee Share Incentive Scheme (the “**Selected Participants**”) to recognise and reward the contributions of the Selected Participants for the growth and development of Shenzhen Jiahong Semiconductor Company Limited (the “**Grant**”), representing all of the Incentive Interests under the Employee Share Incentive Scheme, have been granted to the Selected Participants as of 30 June 2024. The fair value of approximately 19.10% equity interests of Shenzhen Jiahong Semiconductor Company Limited held by the Employee Shareholding Platform relating to the Grant was approximately US\$6.9 million (equivalent to approximately RMB50.3 million) as of 30 June 2024. Consideration of approximately US\$3.5 million (equivalent to approximately RMB25.5 million) was received by the Group on 28 August 2024.

During the six months ended 30 June 2025, the Company did not recognise any expense under the Employee Share Incentive Scheme (six months ended 30 June 2024: RMB24.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

HG Semiconductor Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the design, development, manufacturing, subcontracting and sales of semiconductor products, including light-emitting diode (“**LED**”) beads, new generation of semiconductor gallium nitride (“**GaN**”) chips, and GaN device related application products in the China. With the Group’s expertise in LED manufacturing, strong scientific research team and research and development (“**R&D**”) capability, the Group has in recent years devoted itself to the application of GaN-related products in the third-generation of semiconductors and has gradually achieved business transformation.

The Group has continued to propel its overall business development and accelerate the realisation of chip manufacturing and production capacity, with the aim to become a semiconductor integrated device manufacturing (“**IDM**”) enterprise that spans the whole industry chain, including research and development, manufacturing, packaging and package testing, and sales, with a particular focus on semiconductor design and manufacturing, to capture market opportunities and to strive to become a leading third generation semiconductor supplier in the Greater China region.

INDUSTRY REVIEW

In the first half of 2025, the LED lighting industry, which is widely connected with fields of architectural lighting and electronic consumer products, suffered continuous negative impacts due to factors such as the sluggish real estate market and weak consumer demand for electronic products. Meanwhile, the competition in the LED industry was increasingly intensified. Many large LED manufacturers and suppliers had competitive advantages in technology research and development, product quality, and pricing. All of the abovementioned had an impact on the overall demand for the Group’s products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the semiconductor industry, according to the data released by the Semiconductor Industry Association (“SIA”), China is the second largest semiconductor market in the world in 2024, and its market demand has shown good growth momentum in various segments, including technological innovation, power devices, automotive electronics, artificial intelligence, and the Internet of Things. Favorable government policies and industrial development strategies have also provided good development opportunities for China’s semiconductor industry, especially in the fields of new energy and new energy vehicle electronics. China’s new energy investment has grown rapidly, along with leading position in photovoltaic, wind power generation, energy storage, batteries, and other industries globally. China’s new energy vehicle market is experiencing rapid development, and the market demand for related automotive intelligent driving chips and power chips is growing quickly.

According to the Spring 2025 Semiconductor Market Forecast released by the World Semiconductor Trade Statistics (“WSTS”), the global semiconductor market is projected to expand by 11.2% in 2025, reaching a total value of US\$700.9 billion. Looking ahead to 2026, WSTS forecasts 8.5% growth in the global semiconductor market, reaching an estimated valuation of US\$760.7 billion. According to the Q2 2025 Semiconductor Market Forecast Update released by the WSTS, the global semiconductor market reached US\$346 billion in the first half of 2025, which represents a 18.9% increase year-over-year, supported by demand for data center infrastructure and the emergence of initial AI edge applications.

In the first half of 2025, the tech war and tariff-based confrontation between China and the United States continued to intensify. The semiconductor industry has become the most visible arena in the China and United States tech war. China’s semiconductor imports declined by 12% year-over-year in the first quarter of 2025 according to Chinese Customs data. The United States successively imposed export control sanctions on Chinese enterprises involved in manufacturing chips and related technologies, and restricted the sales of high-end chips by enterprises in the United States to China, so as to curb the development of China’s semiconductor industry. The United States and allies implement export control measures on semiconductor manufacturing equipment such as extreme ultraviolet (EUV) lithography, deep ultraviolet (DUV) lithography, and chemical materials, to restrict the export of such equipment to China, which jointly have constrained China’s advanced node production capabilities. Nevertheless, the various restrictions imposed by various countries on China’s semiconductor industry have transformed into China’s driving force. As the world’s second largest importer of semiconductor chips as well as an important chip consumption market, to overcome the restrictions imposed by various countries, China has invested more resources and funds in scientific research, causing the semiconductor industry to undergo rapid development. In addition to the accelerated domestic manufacturing of semiconductor materials, downstream wafer fabs have also expanded their productivity rapidly, and the number of China’s integrated circuit enterprises also continued to grow.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As a key member of the third-generation of semiconductors, GaN can operate at high frequencies and maintain high performance and efficiency with lower loss than previously used silicon transistors. As the development of the third-generation semiconductor enters into a booming period, the demand for third-generation semiconductor materials in different fields is surging, semiconductor products are becoming more diversified and the speed of iteration and innovation continues to accelerate. Although the consumer electronics sector continues to be sluggish, new energy and new energy vehicles (“NEVs”) will bring sustained application space for GaN. China achieved a new record for NEVs sales in 2024 as a whole, with 12.87 million new NEVs hitting the roads, that over 40 per cent of new registrations were electric across all drive types at 31.44 million vehicles sold in China. China registered a record of 5.62 million NEVs in the first half of 2025, marking a year-on-year increase of 27.86 percent, according to data released by the Ministry of Public Security. New energy vehicles are one of the most core key application markets for third-generation semiconductor materials, which contribute strong demand continuously for third-generation semiconductor power devices.

In recent years, China has been giving great support and encouragement to innovative high-tech enterprises, in particular the new energy and third-generation semiconductors as the representatives of the technological innovation enterprises are gradually becoming a vital driving force for economic development. In the Outline of the Fourteenth Five-Year Plan and Long-Range Objectives Through the Year 2035 (《十四五規劃和2035年遠景目標綱要》), China advocates accelerating the industrialisation process of new materials and technologies for third-generation semiconductors, so as to create a new batch of fast-growing new material enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW

In the first half of 2025, the Group continued to fully deploy the third-generation semiconductor industry chain while maintaining its solid foundation in initial LED bead business. The Group is committed to accelerating the pace of GaN production during the Period. The Group completed the production and commissioning of GaN epitaxial wafer equipment at the beginning of the Period and met the conditions for epitaxial wafer production. The Group also completed the purchase, installation and commissioning of the core equipment of the wafer production line, leading to the establishment of the wafer production line. As the third-generation semiconductor business is still in the investment and R&D stage, the Group's revenue for the Period was 75% derived from the LED bead business and 25% derived from the GaN business. During the Period, the weak real estate and consumer electronics markets in China also affected the industrial chain of the Group's LED bead business. During the Period, revenue of the Group was approximately RMB33.1 million, representing a decrease of approximately 3.5% as compared with that for the Previous Period, but gross profit increased by approximately 18.2% to approximately RMB3.2 million.

During the Period, China's economic recovery was slow due to the sharp tightening of monetary policies in the European and American countries, the continuous downturn of the real estate market sentiment and the lack of market confidence, which indirectly affected the Group's performance. The Group's revenue for the Period was approximately RMB33.1 million, representing a decrease of approximately RMB1.2 million from approximately RMB34.3 million for the Previous Period. The loss for the Period attributable to owners of the Company was approximately RMB59.3 million.

OUTLOOK

Currently, China's economy is in a critical period of a new round of industrial transformation, with semiconductors widely used in integrated circuits, consumer electronics, communication systems, photovoltaic power generation and other fields. With the rise of technologies such as 5G and artificial intelligence, the research and application of third-generation semiconductors represented by GaN have also been included in national strategic planning. According to the prediction of the market analysis firm Yole Développement, with the increasing demand for green energy generation, electric vehicles, charging piles and energy storage, the GaN power device market is expected to grow from US\$46 million in 2020 to US\$1.1 billion in 2026, with a compound annual growth rate of 70%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Benefiting from the huge market demand in consumer electronics, new energy and new-energy vehicles, coupled with the general trend of industrial upgrading and process substitution, as well as the strong demand for GaN power products in the market, the GaN power market has become the fastest growing segment of the third-generation semiconductor industry in terms of output value. Among these products, new-energy vehicles represent the main growth driver, with brands in China accounting for more than 80% of PRC's electric vehicle market and increasingly expanding their exports. This trend offers huge business opportunities across the whole supply chain, and has spurred PRC electric vehicle manufacturers to accelerate the development of third-generation semiconductor devices in the automotive field. With national policy support and solid market demand, the further development of GaN power products is expected to be rapid.

The Group will continue to make increased efforts to develop the third-generation semiconductor GaN industry chain in order to accelerate the pace of R&D, and to expand the applications of GaN-related products. Following the successful development of GaN epitaxial wafers, along with the upgrade of the the Group's manufacturing plant in Xuzhou (the **"Xuzhou Factory"**) and the production lines and machines being well in place, the Group's R&D team and experts will continue to focus on production research, aiming to accelerate the realization of Xuzhou Factory's production capacity.

The Group will also actively seek strategic partners and upgrade its industrial chain while upholding the principle of achieving synergy in the use of resources and win-win cooperation. The Group will continue to strengthen its R&D capabilities and bring in outstanding experts and talents in the field of semiconductor to enhance its production and R&D, striving to become an IDM enterprise integrating R&D, manufacturing, packaging and package testing, and sales in the whole GaN industry chain.

Securing independent control of the chip sector has been elevated by the Chinese Government to the level of national key strategy so that the PRC can accelerate the pace of replacing imported components with domestic substitute products and independent innovation, providing strong, long-term support for the semiconductor segment. Buoyed by three factors — the PRC Government's favourable policies, the extensive downstream application market, and the opportunities for component replacement using domestic substitute products — the Group will benefit from tailwinds in further exploring and developing third-generation semiconductor products and applications with GaN at their core, and continue its enhancement of production capacity and the progress of product R&D to boost quality and efficiency, maximising value for the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

For the Period, total revenue was approximately RMB33.1 million, representing a decrease of approximately 3.5% as compared with that for the Previous Period (Previous Period: approximately RMB34.3 million). The decrease was mainly attributable to the decrease in revenue from the sales of LED products.

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

Six months ended 30 June				
	2025		2024	
	RMB'000 (unaudited)	%	RMB'000 (unaudited)	%
LED products	24,930	75.4	33,220	97.0
GaN and other semiconductor products	8,131	24.6	1,032	3.0
Total	33,061	100.0	34,252	100.0

For the Period, revenue from LED beads amounted to approximately RMB24.9 million (Previous Period: approximately RMB33.2 million), accounting for approximately 75.4% of the total revenue (Previous Period: approximately 97.0%). Such decrease was mainly attributable to the weakened economy with negative consumer sentiment in China.

Revenue from GaN and other semiconductor products during the Period was approximately RMB8.1 million (Previous Period: approximately RMB1.0 million), accounting for approximately 24.6% of the total revenue (Previous Period: approximately 3.0%).

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It decreased by approximately 5.4% from approximately RMB31.5 million for the Previous Period to approximately RMB29.8 million for the Period, reflecting a decrease in the sales volume of the LED products, which mainly led to the decrease in the cost of material used.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Gross Profit and Gross Profit Margin

The gross profit increased from approximately RMB2.7 million for the Previous Period to approximately RMB3.2 million for the Period. The gross profit margin increased from approximately 7.9% for the Previous Period to approximately 9.7% 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 2025		Six months ended 30 June 2024	
	Gross profit RMB'000 (unaudited)	Gross profit margin %	Gross profit RMB'000 (unaudited)	Gross profit margin %
LED products	2,359	9.7	3,495	10.5
GaN and other semiconductor products	855	10.5	(777)	-75.3
Total gross profit/gross profit margin	3,214	9.7	2,718	7.9

The gross profit margin of LED beads decreased from approximately 10.5% for the Previous Period to approximately 9.7% for the Period. Such decrease was mainly attributable to the decrease in the average selling price of the LED beads.

Other Income and Gains

Other income and gains of the Group decreased by approximately 94.1% from approximately RMB6.8 million for the Previous Period to approximately RMB0.4 million for the Period, which was mainly due to the decrease in Government grants from the PRC Government during the Period.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 12.5% from approximately RMB1.6 million for the Previous Period to approximately RMB1.4 million for the Period. The decrease in selling and distribution expenses was mainly attributable to the decrease in sales and marketing staff costs, traveling expenses and entertainment expenses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 4.5% from approximately RMB62.9 million for the Previous Period to approximately RMB65.7 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 increase in research and development costs.

The research and development costs of the Group were approximately RMB23.5 million for the Period (Previous Period: approximately RMB11.4 million).

Finance Costs

The Group's finance costs was approximately RMB2.3 million for the Period (Previous Period: approximately RMB2.2 million).

Income Tax Expense

Income tax expense of the Group for the Period was nil (Previous Period: nil).

Loss for the Period

The loss for the Period was approximately RMB66.0 million, as compared to a loss of approximately RMB57.2 million for the Previous Period. The increase in loss for the Period was mainly attributable to the increase in administrative and other expenses during the Period.

Net Margin

The Group recorded a negative net margin of approximately 199.6% for the Period, compared to that of a negative net margin of approximately 167.0% for the Previous Period. The increase in negative net margin for the Period was mainly attributable to the increase in administrative and other expenses during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As at 30 June 2025, the Group had net current assets of approximately RMB236.9 million (31 December 2024: approximately RMB203.5 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 2025 was approximately 6.5 (31 December 2024: approximately 5.2). The increase was primarily due to the increase in bank balances.

As at 30 June 2025, the Group had total cash and bank balances of approximately RMB45.8 million (31 December 2024: approximately RMB8.8 million). The increase in total cash and bank balances was mainly due to the proceeds received from the Company's rights issue in February 2025.

As at 30 June 2025, the total available banking facilities of the Group were RMB10.0 million (31 December 2024: RMB10.0 million). The total amount drawdown from the banking facilities as at 30 June 2025 was RMB10.0 million (31 December 2024: RMB10.0 million).

The share capital of the Company comprises only ordinary shares. As at 30 June 2025, the equity attributable to owners of the Company amounted to approximately RMB502.7 million (31 December 2024: approximately RMB540.8 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 2025 was approximately 1.9% (31 December 2024: approximately 1.7%).

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 2025, 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 Securities and Futures Ordinance (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 C3 of the Listing Rules were as follows:

Long positions in the Shares and underlying Shares

Name	Capacity/Nature of interest	Number of Shares held/ interested (Note 1)	Approximate percentage of shareholding (Note 2)
Dr. Xu Zhihong	Beneficial owner (Note 4)	750,000 (L)	0.08%
Mr. Zhao Yi Wen	Interest in a controlled corporation (Note 3)	21,500,000 (L)	2.29%
	Beneficial owner	20,218,750 (L)	2.15%
	Beneficial owner (Note 5)	750,000 (L)	0.08%
Mr. Li Yang	Beneficial owner (Note 6)	750,000 (L)	0.08%
Mr. Zou Haiyan	Beneficial owner (Note 7)	200,000 (L)	0.02%
Mr. Siu Miu Man	Beneficial owner (Note 8)	200,000 (L)	0.02%
Ms. Liu Wanwen	Beneficial owner (Note 9)	200,000 (L)	0.02%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Notes:

1. The letter "L" denotes a long position.
2. There were 938,818,481 Shares in issue as at 30 June 2025.
3. The 21,500,000 Shares in which Mr. Zhao Yi Wen is interested consist of 21,500,000 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.
4. Dr. Xu Zhihong is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.
5. Mr. Zhao Yi Wen is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.
6. Mr. Li Yang is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.
7. Mr. Zou Haiyan is interested in the 200,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.
8. Mr. Siu Miu Man is interested in the 200,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.
9. Ms. Liu Wanwen is interested in the 200,000 underlying Shares which may be allotted and issued to her upon vesting of all the Awarded Shares granted to her under the Company's Share Award Scheme.

Save as disclosed above, as at 30 June 2025, 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 (i) 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); (ii) entered in the register of the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

As at 30 June 2025, 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 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 Shares held/ interested (Note 1)	Approximate percentage of shareholding (Note 2)
Jovial Star International Limited	Beneficial owner (Note 3)	161,817,231 (L)	17.24%
Zhan Haisu	Interest in a controlled corporation (Note 3)	161,817,231 (L)	17.24%
Wide Yield Investment Holding Limited	Beneficial owner (Note 4)	125,625,000 (L)	13.38%
Ms. Qin Anqi	Interest in a controlled corporation (Note 4)	125,625,000 (L)	13.38%

Notes:

1. The letter "L" denotes a long position.
2. There were 938,818,481 Shares in issue as at 30 June 2025.
3. The 161,817,231 Shares held by Jovial Star International Limited, a company wholly owned by Mr. Zhan Haisu, in which Mr. Zhan Haisu is deemed to be interested under the SFO.
4. The 125,625,000 Shares held by Wide Yield Investment Holding Limited, a company wholly owned by Ms. Qin Anqi, in which Ms. Qin Anqi is deemed to be interested under the SFO.

Save as disclosed above, as at 30 June 2025, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SHARE OPTION SCHEME

The Company's share option scheme (the **"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 (the **"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 pursuant to the Share Option Scheme. On the date immediately before the options were granted, the closing price was HK\$7.35 per Share.

On 28 July 2023, the Company granted a total of 7,890,000 options, with exercise price of HK\$1.4 per Share, to certain eligible employees of the Group. On the date immediately before the options were granted, the closing price was HK\$1.27 per Share.

As at 30 June 2025, 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 1 January 2025	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed or forfeited during the Period	Number of Shares in relation to outstanding options as at 30 June 2025
Senior management and other employees in aggregate	17/6/2021	Nil	17/6/2021-16/6/2029	7.5	1,650,000	–	–	–	–	1,650,000
		17/6/2021-16/6/2022	17/6/2022-16/6/2026	7.5	1,137,500	–	–	–	–	1,137,500
		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
		17/6/2021-16/6/2029 (Note 1)	From vesting date-16/6/2029	7.5	5,500,000	–	–	–	(2,500,000)	3,000,000
	28/7/2023	28/6/2024-30/6/2025 (Note 2)	30/6/2024-30/6/2025	1.4	2,076,250	–	–	–	(2,076,250)	–
		28/6/2025-30/6/2026	30/6/2025-30/6/2026	1.4	2,076,250	–	–	–	(18,750)	2,057,500
Total					13,190,000	–	–	–	(4,595,000)	8,595,000

Notes:

- Vesting of the Share Options is conditional upon achievement of certain performance targets by the Grantees.
- Lapsed as the exercisable period has ended on 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No Option was available for grant under the Share Option Scheme as at 1 January 2025 and 30 June 2025. No service provider sublimit was set under the Share Option Scheme.

The number of Shares that may be issued in respect of Options granted under the Share Option Scheme was 8,595,000 as at 30 June 2025, representing approximately 1.1% of the weighted average number of Shares in issue for the six months ended 30 June 2025.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the “**2023 Share Award Scheme**”) on 29 December 2023 (the “**Adoption Date**”). Details of the 2023 Share Award Scheme can be referred to the circular of the Company dated 13 December 2023 and the announcement of the Company dated 29 December 2023. In addition, details of the refreshment of the (i) Scheme Mandate Limit and (ii) Service Provider Sublimit to the 2023 Share Award Scheme can be referred to the circular of the Company dated 15 July 2025 and the announcements of the Company dated 15 July 2025 and 31 July 2025. The following is a summary of the Share Award Scheme:

(1) Purposes and objectives

The objectives of the 2023 Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

(2) Eligible Participants

The Eligible Participants of the 2023 Share Award Scheme shall comprise:

- (i) any director and employee (including full-time and part-time employee) of the Company or any of its subsidiaries (including any persons who are granted awards (the “**Awards**”) under the 2023 Share Award Scheme as an inducement to enter into employment contracts with the Group) (“**Employee Participant**”);
- (ii) any director and employee of a related entity (“**Related Entity**”), being holding company(ies), fellow subsidiary(ies) or associated company(ies) of the Company (“**Related Entity Participant**”); and

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (iii) any person who provided services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of long term growth of the Group (excluding placing agents or financial advisers providing advisory services to the Group for fundraising, mergers or acquisitions and professional service providers including auditors or valuers who provide assurance or are required to perform their services to the Group with impartiality and objectivity) ("**Service Provider**").

(3) Shares available for issue

The total number of Shares available for issue under the 2023 Share Award Scheme is 75,105,478 Shares, representing approximately 8.0% of the total number of issued Shares (i.e. 938,818,481 Shares) as at the date of this interim report.

(4) Maximum entitlement of each Eligible Participant

Scheme Mandate Limit

The maximum number of Shares which may be awarded under the 2023 Share Award Scheme is 93,881,848 Shares, which is approximately 10% of the Shares in issue as at 31 July 2025 (the "**Scheme Mandate Limit**").

Service Provider Sublimit

The maximum number of Shares which may be awarded to Service Providers under the 2023 Share Award Scheme is 9,388,184 Shares, which is approximately 1% of the Shares in issue as at 31 July 2025 (the "**Service Provider Sublimit**"). The Service Provider Sublimit was determined based on 10% of the Scheme Mandate Limit.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

1% Individual Limit

No Award shall be granted to any selected participant under the 2023 Share Award Scheme (a “**Selected Participant**”) which would result in the total number of (a) Shares issued and to be issued under the Awards granted or to be granted to such Selected Participant under the 2023 Share Award Scheme (excluding any Awards lapsed in accordance with the rules of the 2023 Share Award Scheme); (b) the Shares issued and to be issued upon exercise of all options or awards granted and proposed to be granted to such Selected Participant under any other (a) scheme(s) involving the grant of Shares by the Company (including the 2023 Share Award Scheme); and (b) scheme(s) involving the grant of options by the Company (including the Share Option Scheme) over Shares (“**Share Scheme(s)**”) (including exercised and outstanding options but excluding any options or awards lapsed in accordance with the terms of such Share Scheme); and (c) any cancelled Shares which were the subject of Awards or options or awards under any other Share Scheme(s) which had been granted to and accepted by that Selected Participant, in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of Shares in issue, subject to the rules of the 2023 Share Award Scheme.

(5) Vesting of the Awarded Shares

The Board is entitled to impose any terms and conditions (including a period of continued employment, engagement and/or service within the Group and/or any Related Entity after the Award shall become entitled and/or vested) as it deems appropriate in its absolute discretion with respect to the entitlement and/or vesting of the Awarded Shares on the Selected Participant and shall inform such Selected Participant the relevant conditions of the Award and the Awarded Shares provided that the vesting period for Awards shall not be less than 12 months unless under the specific circumstances as set out in the 2023 Share Award Scheme.

(6) Grant of Awards and acceptance of offers

A Selected Participant granted with an Award shall be responsible for paying up the aggregate nominal value of the Awarded Shares being vested in such Selected Participant. An Award shall automatically lapse if the Selected Participant fails to sign and return the acceptance form attached to the grant notice within five (5) Business Days after the date of the grant notice (i.e. the acceptance period) or the Board does not receive the reply slip, the relevant duly signed documents and the remittance from the Selected Participant at least ten (10) Business Days prior to the Vesting Date.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(7) Period of the 2023 Share Award Scheme

The 2023 Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date, after which period no further Awards shall be granted but the rules of the 2023 Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to any Awards made before the expiry of such period.

The remaining life of the 2023 Share Award Scheme is approximately 8 years and 4 months as at the date of this report.

References are made is to the announcements of the Company dated 31 January 2024 and 4 December 2024 (the “**Grant of Awards Announcements**”), unless otherwise stated herein, capitalised terms used below shall have the same meaning as those defined in the Grant of Awards Announcements.

On 31 January 2024, a total of 7,540,000 Awarded Shares were granted by the Company, to 25 Employee Participants. On the date immediately before the awards were granted, the closing price was HK\$0.67 per Share. The estimated fair value of the Awarded Shares granted on 31 January 2024 was approximately RMB4.7 million.

On 4 December 2024, a total of 67,565,478 Awarded Shares were granted by the Company, to 7 Directors and 25 Employee Participants. On the date immediately before the awards were granted, the closing price was HK\$0.56 per Share. The estimated fair value of the Awarded Shares granted on 4 December 2024 was approximately RMB35.9 million.

The Group had recorded the expenses associated with the Awarded Shares granted under the 2023 Share Award Scheme of approximately RMB17.9 million during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2025, details of the interests of the Grantees in the 2023 Share Award Scheme are set out below:

Grantee	Category of grantees	Date of grant	Number of Awarded Shares	Vesting period	Number of Shares as at 1 January 2025	Granted during the period	Vested and issued during the period	Cancelled during the period	Lapsed or forfeited during the period	Number of adjustments on the Granted Awarded Shares as result of completion of Rights Issues (Note 3)	Number of Awarded Shares as at 30 June 2025 (Note 3)
Dr. Xu Zhihong	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025	750,000	–	–	–	–	187,500	937,500
Mr. Zhao Yi Wen	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025	750,000	–	–	–	–	187,500	937,500
Mr. Li Yang	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025	750,000	–	–	–	–	187,500	937,500
Mr. Zou Haiyan	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025	200,000	–	–	–	–	50,000	250,000
Mr. Siu Mu Man	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025	200,000	–	–	–	–	50,000	250,000
Ms. Liu Wanwen	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025	200,000	–	–	–	–	50,000	250,000
Subtotal					2,850,000	–	–	–	–	712,500	3,562,500
Other employees in aggregate	Employee Participants	31/1/2024	7,540,000	31/1/2024–30/1/2025 (Note 2)	7,330,000	–	–	–	(970,000)	–	6,360,000
Other employees in aggregate	Employee Participants	4/12/2024	63,965,478	4/12/2024–3/12/2025 (Note 1)	63,965,478	–	–	–	(35,478)	15,982,500	79,912,500
Subtotal					71,295,478	–	–	–	(1,005,478)	15,982,500	86,272,500
Total					74,145,478	–	–	–	(1,005,478)	16,695,000	89,835,000

Notes:

- Except for one employee Grantee where 50% of the Awarded Shares involved in the Award granted to him will be vested on 3 December 2025 and the remaining 50% will be vested on 3 December 2026.
- 6,360,000 Awarded Shares were vested on 30 January 2025 at nil consideration. On the date immediately before the 6,360,000 Awarded Shares were vested, the closing price was HK\$0.61 per Share. These vested Awarded Shares were still in the administrative process to be allotted and issued to the respective grantees as at 30 June 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

3. Reference is made to the announcement of the Company dated 6 February 2025 in relation to, among others, the rights issue of the Company on the basis of one (1) rights share for every four (4) shares held on the record date (the **"Rights Issue"**), the Rights Issue has been completed, following which the total number of issued Shares increased from 751,054,785 to 938,818,481. Upon the completion of the Rights Issue, there were 66,780,000 Awarded Shares which were granted but yet to be vested (the **"2024 Dec Awarded Shares"**). The adjustments in the event of a rights issue of the Company for restoring to the extent possible the percentage shareholding represented by the 2024 Dec Awarded Shares to such level before the completion of the Rights Issue is in accordance with the terms and conditions of the 2023 Share Award Scheme, and is in compliance with (i) Rule 17.03(13) of the Listing Rules; and (ii) the Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note to such Rule set out in appendix 1 to the Frequently Asked Question FAQ13 — No.1-20 issued by the Stock Exchange in November 2020 and updated in June 2024. An independent financial adviser has confirmed to the Directors in writing that the above-mentioned adjustments satisfy the requirements set out in the Listing Rules.

The number of Shares available for grant under the Scheme Mandate Limit and the Service Provider Sublimit as at 1 January 2025 were 75,105,478 and 7,510,547 respectively. The number of Shares available for grant under the Scheme Mandate Limit and the Service Provider Sublimit amounted to 1,965,478 and 1,965,478, respectively, as at 30 June 2025.

The number of Shares that may be issued in respect of Awarded Shares under the Share Award Scheme was 73,140,000 as at 30 June 2025, representing approximately 9.5% of the weighted average number of Shares in issue for the period ended 30 June 2025.

EMPLOYEE SHARE INCENTIVE SCHEME

References are made to (i) the announcement of the Company dated 20 September 2023 in relation to the Equity Transfer for the purpose of implementing and facilitating the administration and operation of the Employee Share Incentive Scheme; (ii) the announcement of the Company dated 29 December 2023 in relation to the adoption of the Employee Share Incentive Scheme; and (iii) the announcement of the Company dated 2 July 2024 in relation to the grant of the Incentive Interest Pursuant to Employee Share Incentive Scheme (the **"Employee Share Incentive Scheme Announcements"**). Capitalized terms used in this report shall have the same meanings as defined in the Employee Share Incentive Scheme Announcements unless otherwise stated.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

An aggregate of 99% partnership interests in the Employee Shareholding Platform, representing all of the Incentive Interests under the Employee Share Incentive Scheme, have been granted to the Selected Participants as of 30 June 2024. No further partnership interests in the Employee Shareholding Platform are available for future grant under the Employee Share Incentive Scheme.

SIGNIFICANT INVESTMENTS, FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

VisIC Technologies Limited (“VisIC”)

On 24 June 2021, the Company’s wholly-owned subsidiary, FastSemi Holding Limited (“**FastSemi**”), acquired 349,992 series E preferred shares of VisIC, an unlisted company in Israel principally engaged in the development of GaN-related products, which include high-power transistors and modules, at the consideration of approximately US\$5 million. On 23 August 2021, FastSemi further acquired 1,399,969 series E preferred shares of VisIC, at the consideration of approximately US\$20 million. In 2021, the total number of shares acquired was 1,749,961 with an investment cost of approximately US\$25 million in aggregate. The total number of shares acquired of 1,749,961 represented approximately 12.87% of the enlarged issued share capital of VisIC as at 30 June 2025. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB98.4 million as at 30 June 2025, representing approximately 16.9% of the Group’s consolidated total assets as at 30 June 2025. Fair value loss of approximately RMB78.3 million was recognised through other comprehensive income during the Period. There was no dividends received from this investment for the Period. As VisIC is one of the largest players in the third-generation field of GaN devices, the Group plans to hold VisIC as a long-term investment.

Beijing Hongzhi Electric Technology Co., Ltd.* (“Beijing Hongzhi”)

On 6 August 2021, the then Company’s wholly-owned subsidiary, Xuzhou GSR Semiconductor Co., Ltd.* (“**Xuzhou GSR**”), invested in 10% of the ordinary shares of Beijing Hongzhi with a consideration of RMB15 million. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to zero as at 30 June 2025. No fair value gain or loss was recognised through other comprehensive income during the Period. There was no dividends received from this investment for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

HighTec SP2 Fund (the “Fund”)

In December 2021, FastSemi subscribed 4,000 shares of the Fund at a consideration of US\$4 million. The Fund’s investment strategies are principally to invest directly or through other investment vehicles in the equity securities of the world’s leading semiconductor design and production companies, which include technology companies focusing on providing fast-charging solutions, R&D companies with technical knowledge and product experience, R&D companies focusing on power devices in electric vehicle applications, and technology companies focusing on high-power automotive solutions.

In January 2022, FastSemi further subscribed 1,002.466 shares of the Fund at a consideration of approximately US\$1 million.

Such investment was classified as a financial instrument at fair value through profit or loss amounting to approximately RMB32.1 million as at 30 June 2025, representing approximately 5.5% of the Group’s consolidated total assets as at 30 June 2025. Fair value loss of approximately RMB1.6 million was recognised through profit or loss during the Period. As the Fund’s main focus is on investing in the semiconductor industry and semiconductors have a wide range of applications in a huge and growing market, the outlook for the Fund remains positive.

Save as disclosed above, as at 30 June 2025, the Group did not hold any significant investments, future plans for material investment and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

Termination of Capital Injection Agreement

On 28 September 2023, Taizhou Huirong Jianeng Youchuang Investment Management Partnership (Limited Partnership)* (台州匯融嘉能友創股權投資合夥企業(有限合夥)) as subscriber (the “**Investor**”), (i) Shenzhen Jiahong Semiconductor Company Limited* (深圳錄宏半導體有限公司) (the “**Shenzhen Jiahong**”), (ii) Jiangsu Jiahong Semiconductor Co., Ltd* (江蘇錄宏半導體有限公司) (formerly known as Xuzhou GSR Semiconductor Co., Ltd.* (徐州金沙江半導體有限公司)) (the “**Project Company**”), (iii) Swift Power Limited (“**Swift Power**”) (all three of which are subsidiaries of the Company) and (iv) Join Gain HK Limited (“**Join Gain**”) as guarantors entered into a capital injection agreement (the “**Capital Injection Agreement**”), pursuant to which the Investor has conditionally agreed to inject RMB100 million into the Shenzhen Jiahong (the “**Capital Injection**”), of which approximately US\$1,672,656.51 (approximately RMB11,860,807.31) will be contributed towards the registered capital of Shenzhen Jiahong, which accounts for approximately 9.0909% of the enlarged equity interest in Shenzhen Jiahong, and the balance will be contributed towards the capital reserve of Shenzhen Jiahong.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As a condition precedent to the Capital Injection Agreement, the Company, Shenzhen Jiahong, Swift Power, Join Gain, Red Mont HK Limited (“**Red Mont**”) and the Investor will enter into the shareholders’ agreement (the “**Shareholders Agreement**”), which sets out, among others, the rights and obligations of the shareholders of Shenzhen Jiahong and the governance structure of Shenzhen Jiahong.

The first contribution amount of the Capital Injection of RMB55 million had been paid by the Investor and Completion took place upon satisfaction of all the conditions precedent to the Capital Injection Agreement.

The payment conditions for the second contribution amount of the Capital Injection (as defined below) specified in the Capital Injection Agreement have been fully met and Shenzhen Jiahong has issued written payment notices to the Investor on 5 January 2024 and 25 March 2024, respectively. On 15 June 2024, the same parties to the Capital Injection Agreement entered into a memorandum of understanding (the “**Extension Memorandum**”) to extend the date of payment by the Investor of the second contribution amount of RMB45 million (the “**Second Contribution Amount**”) towards the new registered capital of Shenzhen Jiahong to 31 December 2024. However, the Investor was unable to complete the payment of the Second Contribution Amount within the extended period.

Pursuant to the Extension Memorandum, Shenzhen Jiahong, the Project Company, the Investor, the Employee Shareholding Platform, Swift Power, Join Gain and Red Mont entered into the termination agreement (the “**Termination Agreement**”) which became effective on 1 January 2025, pursuant to which, among others, the parties have agreed and confirmed that the Capital Injection Agreement together with its appendices (including but not limited to the Shareholders’ Agreement) and the Extension Memorandum have been terminated on the date of the Termination Agreement and the parties have also agreed that the Investor is no longer required to pay the Second Contribution Amount. It is further agreed and confirmed under the Termination Agreement, among others, that the Investor shall bear no liabilities to the other parties in connection with its non-payment of the Second Contribution Amount. In addition, the Investor has acknowledged and confirmed that Shenzhen Jiahong, the Project Company, Swift Power, Join Gain and Red Mont had committed no breaches of the Capital Injection Agreement in their execution and performance of the Capital Injection Agreement together with its appendices (including but not limited to the Shareholders’ Agreement) and the Extension Memorandum and that there are no forms of liability for breach of contract.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

According to the Termination Agreement, the parties have agreed and confirmed to calculate and adjust Shenzhen Jiahong's registered capital after the Capital Injection, based on the amount actually paid by the parties (including the first contribution amount of RMB55 million paid by the Investor) (the **"Adjustment"**). The parties have agreed and authorized the board of directors of Shenzhen Jiahong to handle the relevant procedures for the Adjustment with the relevant registration authority and other procedures to effect the Adjustment.

For details, please refer to the announcements of the Company dated 28 September 2023, 13 October 2023 and 2 January 2025.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies during the Period.

CAPITAL COMMITMENTS

As at 30 June 2025, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to approximately RMB14.4 million (31 December 2024: approximately RMB18.0 million).

CHARGE ON THE GROUP'S ASSETS

As at 30 June 2025 and 31 December 2024, the Group did not have any charge on its assets.

CONTINGENT LIABILITIES

As at 30 June 2025, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2025, the Group employed 158 employees (31 December 2024: 161 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB37.1 million for the Period (Previous Period: approximately RMB44.2 million). As at 30 June 2025, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years. Apart from basic remuneration, share options/share awards may be granted under the share option scheme/share award scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. The employee costs for the Period have included the share-based payment expenses of approximately RMB20.8 million (Previous Period: approximately RMB29.8 million), in relation to the incentives provided under the Group's share option scheme, share award scheme and employee share incentive scheme. 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.

USE OF PROCEEDS

2024 Rights Issue

In order to strengthen the Group's research and development capabilities, and provide general working capital to meet the needs of its business development plan, on 12 November 2024, the Company proposed to conduct a rights issue on the basis of one Rights Share for every four Shares at the subscription price of HK\$0.48 per Rights Share (the **"2024 Rights Issue"**). In February 2025, the 2024 Rights Issue was completed and the Company allotted and issued an aggregate of 187,763,696 new ordinary Shares thereunder. The net price for such Shares was approximately HK\$0.468 per Share and the aggregate nominal value of such Shares was HK\$1,877,636.96. The 2024 Rights Issue generated net proceeds of approximately HK\$87.8 million (the **"2024 Rights Issue Proceeds"**). Details of the 2024 Rights Issue were set out in the Company's announcements dated 12 November 2024, 15 November 2024, 29 November 2024, 22 January 2025, 6 February 2025 and in the Company's prospectus dated 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2025, the Group's planned application and the actual utilisation of the 2024 Rights Issue Proceeds are set out below:

	Net proceeds HK\$ million	Utilised HK\$ million	Unutilised HK\$ million	Expected timeline for utilising the unutilized proceeds (Note)
Strengthening research and development capabilities	52.7	24.4	28.3	On or before 31 December 2025
Provision of general working capital	35.1	35.1	—	
	87.8	59.5	28.3	

Note: The expected timeline for utilizing the unutilized proceeds is based on the best estimation of the future market conditions made by the Group. It was be subject to change based on the current and future development of market conditions.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 C1 to the Listing Rules as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code during the Period.

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 the management of the Group, 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. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen. Mr. Zou Haiyan 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
HG Semiconductor Limited
Dr. Xu Zhihong
Chairman and Executive Director

Hong Kong, 29 August 2025

As at the date of this report, the executive Directors are Dr. Xu Zhihong, Mr. Zhao Yi Wen and Mr. Li Yang; and the independent non-executive Directors are Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen.

** For identification purpose only*