HG Semiconductor Limited
宏光半導體有限公司

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

ANNUAL 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 (劉晼文)

AUDIT COMMITTEE

Mr. ZOU Haiyan (鄒海燕) *(Chairman)*
Mr. SIU Miu Man, Simon, *MH* (蕭妙文)
Ms. LIU Wanwen (劉晼文)

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 (劉晼文)
(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 (曾傲嫣)

AUTHORISED REPRESENTATIVES

Mr. ZHAO Yi Wen (趙奕文)
Ms. TSANG Ngo Yin (曾傲嫣)

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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STOCK CODE

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COMPANY'S WEBSITE

www.hg-semiconductor.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "**Board**"), I am pleased to present the annual report of HG Semiconductor Limited (the "**Company**") together with its subsidiaries (the "**Group**" or "**us**") for the year ended 31 December 2025 (the "**2025**" or "**Year**").

In 2025, the Group's revenue for the year was approximately RMB97.8 million, representing an increase of approximately 29.9% as compared to that for last year. The loss for the year attributable to owners of the Company widened to approximately RMB112.9 million for the Year, which was mainly due to the recognition of impairment losses on property, plant and equipment during the Year and the loss incurred on change in fair value of financial assets at fair value as at 31 December 2025.

In 2025, the gallium nitride (GaN) power devices market is experiencing rapid growth. According to Yole research, the compound annual growth rate of GaN power devices is projected to reach 42% over the next five years. By 2030, the global market is expected to surpass $2.9 billion, exhibiting the highest growth rate among power semiconductors such as Si MOSFETs, IGBTs, and SiC. Notably, while traditional consumer electronics applications continue to expand, emerging applications are gradually opening up. The global GaN IDM leader Innoscience has joined NVIDIA's supplier list, demonstrating market confidence in GaN's future role in AI data center power applications. Meanwhile, GaN is also gaining customer recognition in areas like robotic motor drives, photovoltaic micro-inverters, portable energy storage, and electric vehicles. In addition, industry giants are also continuously scaling up their efforts, with global power semiconductor leader Infineon expanding its GaN product portfolio, while Innoscience is accelerating production capacity expansion.

This year, the HG group's GaN IDM located in the Xuzhou Economic and Technological Development Zone of Jiangsu Province achieved mass production and batch delivery of fully self-developed GaN products, becoming one of the few domestic IDMs capable of full independent R&D, manufacturing, and mass production of GaN products. The Company has introduced 700V gallium nitride D-mode epitaxial wafers and wafer products for traditional PD fast charging and consumer electronics, achieving a cost reduction of over 25% per chip compared to traditional E-mode products through differentiated technological approaches of D-mode technology. Meanwhile, the Company is also actively expanding into future incremental markets such as BMS, robotics, and data centers, having launched 100V bidirectional GaN power devices for 48V BMS battery systems, 100V single GaN devices for robotic joint applications, and 100V GaN devices for 48V DC-DC power supplies in data centers. By 2025, the Company had overall shipped over 2,500 GaN epitaxial wafers and device wafers, achieving over 300% growth in GaN products compared to 2024.

The Company currently has a monthly production capacity of 1,000 wafers for 6/8-inch GaN epi and wafers, and has planned a new round of capacity expansion starting from the end of 2025. As the first move, two new Aixtron G5+C MOCVDs have been installed, increasing GaN epi capacity to 2,000 wafers per month, while the Company will continue to invest to ensure delivery plans for 2026. The Company will also launch a full range of 40V–900V products in 2026 for consumer and industrial applications.

Looking ahead, while consolidating its existing LED bead business, the Group will make full use of its existing production facilities and continue to acquire advanced production equipment to speed up the production of GaN-related products and further improve the third-generation GaN semiconductor industry chain. Additionally, the Group will actively seek strategic cooperation agreements with an increased number of leading enterprises, with which complementarities will produce mutual benefits, boosting the continued rapid development of the industry chain.

Looking forward to 2026, the Group is expected to continuously face challenges and uncertainties from the economic development in China and the geopolitical turbulence. The Group will maintain the principal businesses, while the Group will also explore any business opportunities to strengthen the capacity of the Group.

On behalf of the Board,
Dr. Xu Zhihong
Chairman

Hong Kong, 31 March 2026

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 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 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.

In the semiconductor industry, according to the 2025 Factbook released by the Semiconductor Industry Association ("**SIA**"), China is the largest single country market in the world, 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 Autumn 2025 Semiconductor Market Forecast Update released by the WSTS, the global semiconductor market is expected to grow by more than 25 percent, reaching USD 975 billion. Growth is expected across all regions and product categories. Memory and Logic are again projected to lead, both increasing by over 30 percent year over year, supported by demand for data center infrastructure and the emergence of initial AI edge applications.

In 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 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.

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. New energy and new energy vehicles ("**NEVs**") will bring sustained application space for GaN. According to the data released by the China Association of Automobile Manufacturers (CAAM), China's new energy vehicle wholesale sales surged to 1.823 million units in November 2025, up 20.6% year-on-year and 6.3% month-on-month, driven by record battery electric vehicles ("**BEVs**") and plug-in hybrid electric vehicles ("**PHEVs**") deliveries and a 260% leap in NEV exports. Exports of NEVs continued their rapid expansion, surging 260 percent year-on-year to a record 300,000 units in November 2025. Excluding exports, domestic NEV wholesale volumes totaled 1.522 million units, an increase of 6.5 percent compared with November 2024 and a 4.3 percent rise from October 2025. 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.

BUSINESS REVIEW

In 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 Year. The Group completed the production and commissioning of GaN epitaxial wafer equipment at the beginning of the Year 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 Year was 70% derived from the LED bead business and 30% derived from the GaN business. During the Year, the weak real estate and consumer electronics markets in China also affected the industrial chain of the Group's LED bead business. During the Year, revenue of the Group was approximately RMB97.8 million, representing an increase of approximately 29.9% as compared with that for the Previous Year, but gross profit decreased by approximately 43.4% to approximately RMB4.4 million.

During the Year, 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 Year was approximately RMB97.8 million, representing an increase of approximately RMB22.5 million from approximately RMB75.3 million for the Previous Year. The loss for the Year attributable to owners of the Company was approximately RMB112.9 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 Dévelopment, 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%.

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. 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.

FINANCIAL REVIEW

Revenue

For the Year, total revenue was approximately RMB97.8 million, representing an increase of approximately 29.9% as compared with that for the Previous Year (2024: approximately RMB75.3 million). The increase was mainly attributable to the increase in revenue from the sales of GaN and other semiconductor products.

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

	2025		2024	
	RMB'000	%	RMB'000	%
LED products	**68,167**	**69.7**	73,922	98.2
GaN and other semiconductor products	**29,592**	**30.3**	1,360	1.8
Total	**97,759**	**100.0**	75,282	100.0

For the Year, revenue from LED products amounted to approximately RMB68.2 million (2024: approximately RMB73.9 million), accounting for approximately 69.7% of the total revenue (2024: approximately 98.2%). Such decrease in revenue was mainly due to lower sales volume and a decline in the average selling price of LED beads during the Year, amid the weakened economy with negative consumer sentiment in China. Cautious consumer approach to spending on electronic products has continued to negatively impact the sales of LED beads of the Group.

Revenue from GaN and other semiconductor products during the Year was approximately RMB29.6 million (2024: approximately RMB1.4 million), accounting for approximately 30.3% of the total revenue (2024: approximately 1.8%). This significant increase is due to the mass production and bulk shipments of GaN products this year, as well as increased sales of other related semiconductor products.

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It increased by approximately 38.3% from approximately RMB67.5 million for the Previous Year to approximately RMB93.3 million for the Year, reflecting an increase in the sales volume of the GaN and other semiconductor products, which mainly led to the increase in the cost of material used.

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately RMB7.8 million for the Previous Year to approximately RMB4.4 million for the Year. The gross profit margin decreased from approximately 10.3% for the Previous Year to approximately 4.5% for the Year. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	2025		2024	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
LED products	**1,767**	**2.6**	7,833	10.6
GaN and other semiconductor products	**2,645**	**8.9**	(42)	(3.1)
Total gross profit/gross profit margin	**4,412**	**4.5**	7,791	10.3

The gross profit margin of LED products decreased from approximately 10.6% for the Previous Year to approximately 2.6% for the Year. Such decrease was mainly attributable to the decrease in the average selling price of the LED beads and also the increase in the cost of material used, especially gold wires.

Other Income, Gains and Losses, Net

The Group recorded a negative other income of approximately RMB1.7 million for the Year, compared to that of a positive other income of approximately RMB7.6 million for the Previous Year, which was mainly due to the decrease in government grants from the PRC Government during the Year.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 14.7% from approximately RMB3.4 million for the Previous Year to approximately RMB2.9 million for the Year. The decrease in selling and distribution expenses was mainly attributable to the decrease in sales and marketing staff costs, traveling expenses and entertainment expenses.

Administrative and Other Expenses

The Group's administrative and other expenses decreased by approximately 2.2% from approximately RMB114.4 million for the Previous Year to approximately RMB111.9 million for the Year. 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 decrease in administrative and other expenses was mainly due to the decrease in administrative staff costs and professional services expenses.

The equity-settled share-based payment expenses were approximately RMB33.1 million for the Year (Previous Year: approximately RMB35.3 million).

The research and development costs were approximately RMB37.9 million for the Year (Previous Year: approximately RMB24.0 million).

Finance Costs

The Group's finance costs were approximately RMB1.1 million for the Year (Previous Year: approximately RMB1.1 million).

Income Tax Expense

Income tax expense of the Group for the Year was approximately RMB9,000 (Previous Year: approximately RMB4.6 million).

Loss for the Year

The loss for the Year was approximately RMB134.0 million, as compared to a loss of approximately RMB183.1 million for the Previous Year. The decrease in loss for the Year was mainly attributable to the decrease of (i) impairment loss recognised on trade and bills receivables and other receivable and (ii) impairment loss of property, plant and equipment, and the absence of one-off impairment loss of (i) intangible assets and (ii) assets classified as held for sale.

Net Margin

The Group recorded a negative net margin of approximately 137.1% for the Year, compared to that of a negative net margin of approximately 243.2% for the Previous Year. The improved net margin for the Year was mainly attributable to the decrease of (i) impairment loss recognised on trade and bills receivables and other receivable and (ii) impairment loss of property, plant and equipment, and the absence of one-off impairment loss of (i) intangible assets and (ii) assets classified as held for sale.

Dividend

The Directors do not recommend the payment of a final dividend for the Year (Previous Year: Nil), in order to cope with the future business development of the Group.

Liquidity, Financial Resources and Capital Structure

For the Year, the amount of net cash used by the Group in its operating activities was approximately RMB28.9 million as compared to that of approximately RMB69.7 million for the Previous Year, primarily due to the decrease in (i) trade and bills receivables and (ii) prepayments, deposits and other receivables.

As at 31 December 2025, the Group had net current assets of approximately RMB181.2 million (31 December 2024: approximately RMB203.5 million).

As at 31 December 2025, the Group had total cash and bank balances of approximately RMB14.6 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 31 December 2025, the total available facilities of the Group were RMB10.0 million (31 December 2024: RMB10.0 million). The total drawn down of the facilities as at 31 December 2025 was RMB10.0 million (31 December 2024: RMB10.0 million).

The share capital of the Company comprises only ordinary shares. As at 31 December 2025, the equity attributable to owners of the Company amounted to approximately RMB490.0 million (2024: approximately RMB540.8 million).

Return on Equity

Return on equity (i.e. net loss/profit for the year divided by total equity of the year and multiplied by 100%) improved from approximately –31.7% for the Previous Year to approximately –26.6% for the Year. Such improvement was mainly attributable to the decrease of (i) impairment loss recognised on trade and bills receivables and other receivable and (ii) impairment loss of property, plant and equipment, and the absence of one-off impairment loss of (i) intangible assets and (ii) assets classified as held for sale.

Return on Assets

Return on assets (i.e. net loss/profit for the year divided by total assets of the year and multiplied by 100%) improved from approximately –29.1% for the Previous Year to approximately –24.0% for the Year. Such improvement was mainly attributable to the decrease of (i) impairment loss recognised on trade and bills receivables and other receivable and (ii) impairment loss of property, plant and equipment, and the absence of one-off impairment loss of (i) intangible assets and (ii) assets classified as held for sale.

Current Ratio

Current ratio (i.e. total current assets at the end of the year divided by total current liabilities at the end of the year) decrease from approximately 5.2 times as at 31 December 2024 to approximately 4.7 times as at 31 December 2025, primarily due to the decrease in prepayments, deposits and other receivables.

Gearing Ratio

The Group's gearing ratio (i.e. total debt at the end of the year divided by total equity at the end of the year and multiplied by 100%) as at 31 December 2025 was approximately 2.0% (31 December 2024: approximately 1.7%).

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 USD5 million. On 23 August 2021, FastSemi further acquired 1,399,969 series E preferred shares of VisIC, at the consideration of approximately USD20 million. In 2021, the total number of shares acquired was 1,749,961 with an investment cost of approximately USD25 million. The total number of shares acquired represented approximately 17.38% of the enlarged issued share capital of VisIC as at 31 December 2025. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB129.1 million as at 31 December 2025, representing approximately 23.1% of the Group's consolidated total assets as at 31 December 2025. Fair value loss of approximately RMB46.0 million was recognised through other comprehensive income during the Year. There was no dividends received from this investment for the Year. 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 31 December 2025. No fair value gain or loss was recognised through other comprehensive income during the Year. There was no dividends received from this investment for the Year.

HighTec SP2 Fund (the "Fund")

In December 2021, FastSemi subscribed 4,000 shares of the Fund at a consideration of USD4 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 USD1 million.

Such investment was classified as an equity instrument at fair value through profit or loss amounting to approximately RMB33.5 million as at 31 December 2025, representing approximately 6.0% of the Group's consolidated total assets as at 31 December 2025. Fair value loss of approximately RMB348,000 was recognised through profit or loss during the Year. 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 31 December 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* (深圳鎵宏半導體有限公司) (the "**Shenzhen Jiahong**"), (ii) Jiangsu Jiahong Semiconductor Co., Ltd* (江蘇鎵宏半導體有限公司) (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.

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, Xuzhou Diheng Semiconductor Technology Partnership* (徐州地恆半導體科技合夥企業(有限合夥)), 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.

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.

Acquisition of indirect interests in Shenzhen Jiahong

On 1 December 2025, (i) the Company entered into a sale and purchase agreement with three entities whose ultimate beneficial owner is Ms. Qin Xiaolu ("**Vendors A**") for the acquisition of the entire issued share capital of Join Gain which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong ("**Acquisition A**"), for a total consideration of HK$73,388,000 ("**Consideration A**"); and (ii) the Company entered into a sale and purchase agreement with an entity wholly owned by Mr. Zhan Haisu ("**Vendor B**") for the acquisition of the entire issued share capital of Red Mont which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong ("**Acquisition B**"), for a total consideration of HK$40,816,000 ("**Consideration B**").

Consideration A shall be satisfied by the Company by way of allotment and issue of a total of 146,776,000 shares of the Company, credited as fully paid, to Vendors A and Consideration B shall be satisfied by the Company by way of issue of a promissory note in the amount of HK$40,816,000 to Vendor B. Completion of Acquisition A and Acquisition B took place on 29 January 2026 and 10 February 2026 respectively. Upon completion of the aforesaid acquisitions, the Group's interest in Shenzhen Jiahong increased from approximately 60.30% to approximately 73.28% and it remains as an indirect non wholly-owned subsidiary of the Company. On 29 January 2026, 146,776,000 shares of the Company were issued to New Rainbow Developments Limited, being one of the Vendors A wholly owned by Ms. Qin for the settlement of Consideration A.

For details, please refer to the circular of the Company dated 7 January 2026 and the completion announcements of the Company dated 29 January 2026 and 10 February 2026 respectively.

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

Capital Commitments

As at 31 December 2025, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to approximately RMB9.2 million (31 December 2024: approximately RMB18.0 million).

Charge on the Group's assets

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

Contingent Liabilities

As at 31 December 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 year ended 31 December 2025, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2025, the Group employed 162 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 RMB51.9 million for the Year (Previous Year: approximately RMB59.4 million). As at 31 December 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 and/or share awards may be granted under the share option scheme and/or 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 Year have included the share-based payment expenses of approximately RMB33.1 million (Previous Year: approximately RMB35.3 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 the employees' overall remuneration is determined based on the performance of the Company and the employees.

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**"). The closing price of the Shares as quoted on the Stock Exchange was HK$0.72 per Share on 12 November 2024, being the date on which the subscription price was fixed at HK$0.48 per Rights Share. 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.

As at 31 December 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
Strengthening research and development capabilities	52.7	52.7	—
Provision of general working capital	35.1	35.1	—
	87.8	87.8	—

The 2024 Rights Issue Proceeds have been fully utilised as at 31 December 2025.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details in respect of the directors (the "**Directors**") and the senior management of HG Semiconductor Limited (the "**Company**", together with its subsidiaries, the "**Group**") as at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Dr. XU Zhihong (徐志宏) ("Dr. Xu"), aged 63, was appointed as an Executive Director and Vice Chairman of the Company on 6 February 2023 and subsequently as Chairman of the Company on 5 June 2023. Dr. Xu is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Board.

Dr. Xu graduated from the Anhui Finance and Trade Vocational College with a Bachelor of Economics Degree, and then obtained a Master of Business Administration Degree from the Oklahoma City University and a Doctorate Degree in Economics from the Renmin University of China.

Dr. Xu was the managing director of CMB Wing Lung Bank Limited (formerly known as Wing Lung Bank Limited) and general manager of the Financial Markets Department of Industrial and Commercial Bank of China ("**ICBC**"), and has extensive experience in corporate financial planning. From 2 December 2019 to 3 June 2020, Dr. Xu was a director and deputy general manager of China Dive Company Limited, a company listed on the Shenzhen Stock Exchange (stock code: 300526). From 1 September 2020 to 31 August 2021, Dr. Xu was an executive director and a chief executive officer of DTXS Silk Road Investment Holdings Company Limited (大唐西市絲路投資控股有限公司) ("**DTXS Silk Road**"), a company listed on the Main Board of the Stock Exchange (stock code: 620); and from 1 April 2022 to 31 January 2023, Dr. Xu was an executive director, an executive vice-chairman and the chairman of the investment committee of DTXS Silk Road.

Dr. Xu has received the honour of Special Government Allowances of the State Council as a National Expert (國務院特殊津貼專家), and he has also served as a committee member of the Financial Products Committee of the People's Bank of China and a council member of the China Urban Financial Society.

Mr. ZHAO Yi Wen (趙奕文) ("Mr. Zhao"), aged 56, was appointed as a Director on 27 May 2015 and was subsequently re-designated as an Executive Director on 13 May 2016. He is one of the founders of the Group and is primarily responsible for handling the day-to-day management of certain subsidiaries of the Group. Mr. Zhao is also a director of a number of subsidiaries of the Group.

Prior to establishing the Group in May 2010, Mr. Zhao had years of management experience of electronic parts business.

During the period between January 2004 and May 2010, Mr. Zhao was employed by Zhuhai Kedie Digital Technology Co.,Ltd.* (珠海市科碟數碼科技有限公司) which mainly manufactures and sells compact disks in the PRC, as a general manager and was responsible for the overall management of its business operation.

Since 2012, Mr. Zhao has been a director of Zhuhai Ridong Weiye Technology Company Limited* (珠海日東偉業科技有限公司), a limited liability company incorporated in the PRC which mainly manufactures and trades Indium Tin Oxide films, where Mr. Zhao is responsible for the overall management of the company. Mr. Zhao attended secondary school education up to year 3 in the PRC.

Mr. LI Yang (李陽) ("Mr. Li"), aged 54, was re-designated from an Independent Non-executive Director to an Executive Director of the Company on 9 February 2024. Mr. Li ceased to be a member of the Audit Committee of the Board on 9 February 2024. Mr. Li was an Independent Non-executive Director of the Company and also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board between 19 April 2022 and 8 February 2024.

Mr. Li obtained a diploma from the Shenzhen University (深圳大學) in 1992 and a Master of Business Administration from Shenzhen Economic and Management Institute (深圳經濟管理學院) in 2000. Mr. Li also completed a Master's Degree programme in 2001 at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院), majoring in World Economics.

Mr. Li has over 20 years of experience in investment activities and business management, and has extensive industry experience in fashion apparel, trendy brand promotion, information technology and other businesses. He has held directorships in several companies listed on the Main Board of the Stock Exchange and a public company listed on the stock market of the People's Republic of China. From September 2014 to June 2018, Mr. Li acted as the deputy chairman and an executive director of Hong Kong Robotics Group Holding Limited, the shares of which are listed on the Stock Exchange (formerly known as China Best Group Holding Limited, stock code: 370). From July 2015 to September 2016, he acted as the chairman and a director of Shanxi Kexin Development Co., Ltd.* (山西科新發展股份有限公司) (formerly known as Shanxi Guanghe Landscape Culture Communication Co., Ltd.* (山西廣和山水文化傳播股份有限公司)), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600234). From February 2017 to December 2018, he also served as an independent non-executive director of Ming Lam Holdings Limited, the shares of which were listed on the Stock Exchange (formerly known as Sino Haijing Holdings Limited, stock code: 1106), and the listing of which was cancelled on 2 November 2021 under Rule 6.01A of the Listing Rules. From November 2018 to December 2020, he acted as the deputy chairman and an executive director of Leyou Technologies Holdings Limited, the shares of which were listed on the Stock Exchange (stock code: 1089). Such company was privatized by way of a scheme of arrangement under the Companies Act of its place of incorporation and its listing was withdrawn on 24 December 2020. From August 2020 to February 2021, he also acted as an executive director of CT Environmental Group Limited, the shares of which were listed on the Stock Exchange (stock code: 1363), and the listing of which was cancelled on 10 September 2021 under Rule 6.01A of the Listing Rules. On 19 January 2022, Mr. Li was appointed as the chairman of the board and an executive director of Virtual Mind Holding Company Limited, the shares of which were listed on the Stock Exchange (formerly known as CEFC Hong Kong Financial Investment Company Limited, stock code: 1520). On 2 August 2024, Mr. Li ceased to be the chairman of the board but continued to act as an executive director of Virtual Mind Holding Company Limited. On 21 March 2023, Mr. Li was appointed as an executive director and deputy chairman of IBO Technology Company Limited, the shares of which were listed on the Stock Exchange (stock code: 2708), and the listing of which was cancelled on 8 December 2025 under Rule 6.01A(1) of the Listing Rules. From July 2024 to June 2025, Mr. Li acted as an executive director of Asia Television Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 707). On 27 November 2025, Mr. Li was appointed as an executive director of Tesson Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1201).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZOU Haiyan (鄒海燕) ("Mr. Zou"), aged 61, was appointed as an Independent Non-executive Director of the Company on 5 June 2023 and is responsible for providing independent advice to the Board. Mr. Zou is also the chairman of the Audit Committee and the Remuneration Committee, and a member of the Nomination Committee of the Board.

Mr. Zou graduated from Guangdong Provincial Finance School in Taxation* (廣東省財政學校) with a Bachelor's degree of Taxation, from University of Electronic Science and Technology with a Bachelor's degree of Human Resources Management, from European Business School in the Netherlands with a Master's degree of EMBA and from Shanxi Normal University with a Bachelor's degree of Law. He also has obtained a Doctor's degree of Business Administration from European City University. He has obtained the qualifications of Chinese Institute of Certified Public Accountant (CICPA), a Fellow of the Institute of Public Accountants of Australia (FIPA), a Fellow of the Institute of Financial Accountants of British (FFA), an Associate member of International Accountants (AAIA), a member of the Institute of Cost Accountants of India (ACMA), and a Certified Financial Planner (FChFP). He has over 30 years of experience in the financial and accounting services industry.

From September 2017 to September 2023, Mr. Zou was an independent director of Shenzhen AV-Display Co., Ltd. (stock code: 300939), a company listed on the ChiNext Market of the Shenzhen Stock Exchange. Mr. Zou is currently an independent non-executive director of Universal Health International Group Holding Limited (stock code: 02211), a company listed on the Stock Exchange of Hong Kong. He is also an independent director of Shenzhen Yanmade Technology Inc. (stock code: 688312) and Shenzhen Lifotronic Technology Co., Ltd. (stock code: 688389), which are both listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange. He resigned as an independent director of Inner Mongolia Xianhong Science Co., Ltd. (stock code: 836619), a company listed on the NEEQ on 22 September 2025. Meanwhile, Mr. Zou is a Managing Partner of Shenzhen Guangshen Certified Public Accountants, and Managing Director of China Tax and Business Consultants Limited and Kaowick Listing and Financial Services Limited.

Mr. Zou has been a training instructor and guest lecturer of the Association of Chartered Certified Accountants (ACCA) Hong Kong, Associate of International Accountants (AIA) Hong Kong, Hong Kong Chinese Accountants Association, The Hong Kong Institute of Chartered Secretaries (HKICS) continuing education of Shanghai University of Finance and Economics Institute, City University of Hong Kong, The University of Hong Kong and The Hong Kong Polytechnic University. He was an Adjunct Associate Professor of The Hong Kong Polytechnic University, and a distinguished Professor at the School of Continuing Education of Shanghai University of Finance and Economics.

Mr. SIU Miu Man, Simon, *MH* (蕭妙文) ("Mr. Siu"), aged 68, was appointed as an Independent Non-executive Director of the Company on 5 June 2023 and is responsible for providing independent advice to the Board. Mr. Siu is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Board.

Mr. Siu graduated from The Hong Kong Polytechnic University with a Polytechnic Associateship in Building Technology and Management and a Master of Science in Electronic Commerce. He is a corporate member of the Hong Kong Institution of Engineers, Hong Kong Institute of Surveyors (General Practice Stream), Royal Institution of Chartered Surveyors (General Practice Stream) and Chartered Institute of Arbitrator. Mr. Siu is an Authorized Person under the Hong Kong Building Ordinance of the Government of the HKSAR. He is also a Registered Professional Engineer (Building Stream) and a Registered Professional Surveyor (General Practice Stream).

Mr. Siu was an independent non-executive director of Well Link Securities Holdings Limited (formerly known as Excalibur Global Financial Holdings Limited)(Stock Code: 8350) between December 2017 and December 2023, a company listed on the GEM of the Stock Exchange of Hong Kong. On 25 September 2025, Mr. Siu was appointed as an executive director and co-chairman of China International Development Corporation Limited (Stock Code: 264), a company listed on the Stock Exchange of Hong Kong. Mr. Siu is currently an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821), a company listed on the Stock Exchange of Hong Kong. He is also a director of DBG Technology Co., Ltd. (Stock Code: 300735), a company listed on Shenzhen Stock Exchange. Meanwhile, Mr. Siu is also a director of a consultancy firm and engineering firm. He had served in many public listed companies as senior management and has over 25 years of managerial experience in general management, commerce, banking, finance, real estate development and construction business. Due to Mr. Siu's dedicated service to local community, he was conferred the Medal of Honour (M.H.) by The Government of the Hong Kong Special Administrative Region in 2019.

Mr. Siu is actively participating in public affairs and charitable activities. He is the vice president of the Association of Hong Kong Professionals and the Hong Kong Real Property Federation, the honorary president of the Hong Kong Kowloon City Industry and Commerce Association and the chairman of the Building Healthy Kowloon City Association.

Ms. Liu Wanwen (劉皖文) ("Ms. Liu"), aged 56, was appointed as an Independent Non-executive Director of the Company on 8 May 2024 and is responsible for providing independent advice to the Board. Ms. Liu is also a member of the Audit Committee and Nomination Committee of the Board.

Ms. Liu graduated from Anhui University with a bachelor's degree in arts. Ms. Liu is currently an independent non-executive director of Shandong International Trust Co., Ltd. (Stock Code: 1697), which is a company listed on the Stock Exchange. She also has been the managing director of the private wealth management department of UOB Kay Hian (Hong Kong) Limited since November 2014. From December 2011 to November 2014, she served as a director and head of the Chinese local large enterprises department at the Shanghai branch of Standard Chartered Bank (China) Co., Ltd.. From December 2006 to December 2011, she worked at the Shenzhen branch of Standard Chartered Bank (China) Co., Ltd., where she successively served as the head of the multinational enterprise department and a member of the management committee, the deputy branch manager of the Shenzhen branch and the head of private bank division of the South China region. Ms. Liu has over 28 years of experience in the banking and asset management sectors.

SENIOR MANAGEMENT

Ms. QI Xiang Ling (綦香玲) ("Ms. Qi"), aged 55, is the financial controller of Zhuhai HongGuang Semiconductor Co. Ltd.* ("**Zhuhai HongGuang**"). Ms. Qi joined the Group in August 2010. She is mainly responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters of Zhuhai HongGuang. Ms. Qi obtained a Certificate of Accounting Profession issued by the Ministry of Finance of the PRC in August 2002.

Prior to joining the Group, Ms. Qi worked as an accountant at Zhuhai Yuntian Dianqi Co., Ltd.* (珠海雲田電器有限公司) from January 2005 to December 2005. From June 2006 to August 2010, she worked as the finance manager of Zhuhai City Jiajule Zhuangshi Cailiao Company Limited* (珠海市家居樂裝飾材料有限公司).

* For identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining a good corporate governance standard, with the Chairman being primarily responsible for establishing relevant practices and procedures. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate its business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen accountability to shareholders and creditors. Therefore the Board has reviewed and will continue to review and improve the Company's corporate governance practices from time to time.

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2025 (the "**Year**").

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 for the Year.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2025, the Board comprised of three Executive Directors and three Independent Non-executive Directors. The composition of the Board is as follows:

Executive Directors

Dr. Xu Zhihong *(Chairman)*
Mr. Zhao Yi Wen
Mr. Li Yang

Independent Non-executive Directors

Mr. Zou Haiyan
Mr. Siu Miu Man, Simon, *MH*
Ms. Liu Wanwen

Ms. Liu Wanwen, who was appointed as an independent non-executive Director of the Company on 8 May 2024 and has obtained the legal advice referred to under Rule 3.09D of the Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and understood her obligations as an independent non-executive Director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to the Chief Executive Officer and senior management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group. The abovementioned personnel should report back and obtain prior approval from the Board before making any significant decisions or entering into any significant commitments on the Company's behalf, and they may not exceed any authority given to them by resolutions of the Board or the Company.

The Non-executive Directors do not involve in the general management and day-to-day operation of the Group. However, they will provide advice on strategic direction for the Group.

The Independent Non-executive Directors bring to the Board a wide range of business and financial expertise, experience and independent judgement, on issues of strategic direction, policies, development, performance and risk management. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, they scrutinise the Company's performance in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

Each Director has confirmed that he can give sufficient time and attention to the Company's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

The Company has arranged appropriate insurance cover for Directors' liabilities in respect of legal actions against them for corporate activities.

BOARD/BOARD COMMITTEE MEETINGS

The Board is scheduled to meet in person or through other electronic means of communication at least four times a year to, among other matters, review past financial and operating performance and discuss the Group's direction and strategy. An agenda and accompanying papers together with all appropriate information will be sent to all Directors at least 3 days before each Board or committee meeting so as to ensure timely access to relevant information. Appropriate notice of at least 14 days for regular Board meetings and reasonable notice for other Board committee meetings will be given to all Directors, who will all be given an opportunity to attend and include matters in the agenda for discussion. Senior management will be invited to join Board meetings to enhance communication between the Board and management; the Board and each Director will also have separate and independent access to senior management whenever necessary. The Company Secretary will take detailed minutes of the meetings and keep records of matters discussed and decisions resolved at the meetings, including any concerns raised or dissenting views expressed by Directors, and the voting results of Board meetings fairly reflect Board consensus. Both draft and final versions of the minutes will be sent to all Directors for their comments and records respectively, within a reasonable time after each meeting, and such minutes will be open for inspection with reasonable advance notice by any Director. Directors are entitled to have access to board papers and related materials, and any queries will be responded to fully.

Upon reasonable request to the Board, the Directors can seek independent professional advice in performing their duties at the Company's expense, if necessary. According to the current Board's practice, should a potential conflict of interest involving a substantial shareholder or Director of the Company arise, the matter will be discussed in a Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no conflict of interest will be present at such meetings. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director concern will declare his/her interest and abstains from voting.

Code Provision C.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the Independent Non-executive Directors without the presence of other Directors. During the Year, one meeting between the chairman of Board and the Independent Non-executive Directors was held.

MEETINGS HELD AND ATTENDANCE

The composition of the Board and the committees, and the individual attendance records of each Director at the Board and committees' meeting during the Year are set out below:

	Meetings attended/Meetings held					
Name of Directors	Board meetings	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	Annual general meetings	Extraordinary general meetings
Executive Directors						
Dr. Xu Zhihong *(Chairman)*	7/7	N/A	1/1	1/1	1/1	1/1
Mr. Zhao Yi Wen	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Li Yang	7/7	N/A	N/A	N/A	1/1	1/1
Mr. Leung Kin Pang *(Removed on 7 January 2025)*	0/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Zou Haiyan	7/7	4/4	1/1	1/1	1/1	1/1
Mr. Siu Miu Man, Simon, *MH*	7/7	4/4	1/1	1/1	1/1	1/1
Ms. Liu Wanwen	7/7	4/4	N/A	1/1	1/1	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee of the Company has been established. In compliance with Code Provision A.2 of the CG Code, the Board as a whole is responsible for performing corporate governance duties which include: (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CONTINUING PROFESSIONAL DEVELOPMENT

Pursuant to the Code Provision C.1.4 under Appendix C1 of the Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Reading materials on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the Year, all Directors have participated in continuing professional development by attending training courses and reading relevant materials on topics related to corporate governance and regulatory matters. The Directors have confirmed that they have received the trainings as follows:

Name of Directors	Type of trainings
Dr. Xu Zhihong *(Chairman)*	A, B
Mr. Zhao Yi Wen	A, B
Mr. Li Yang	A, B
Mr. Zou Haiyan	A, B
Mr. Siu Miu Man, Simon, *MH*	A, B
Ms. Liu Wanwen	A, B

A: attending seminars/conferences/forums for a total of 2 hours for each Director

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and directors' duties and responsibilities for a total of 8 hours for each Director

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee particular aspects of the Company's affairs. All Board committees are established with written terms of reference, which have complied with the CG Code and are available on the Stock Exchange website at www.hkexnews.hk and the Company's website at www.hg-semiconductor.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Board committees will report back to the Board on their decisions or recommendations.

Audit Committee

The Company established the Audit Committee on 2 December 2016 with written terms of reference in compliance with the Listing Rules. As at 31 December 2025, the Audit Committee consisted of all the 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. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and the internal control and risk management systems of the Group.

The Audit Committee held 4 meetings during the year ended 31 December 2025. Please refer to the paragraph entitled "Meetings Held and Attendance" on page 23 for the individual attendance records of each member of the Audit Committee.

Remuneration Committee

The Company established the Remuneration Committee on 2 December 2016 with written terms of reference in compliance with the Listing Rules. As at 31 December 2025, the Remuneration Committee consisted of three members, namely, Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, *MH* and Dr. Xu Zhihong. Mr. Zou Haiyan is the chairman of the Remuneration Committee. The primary duties of the remuneration committee are to make recommendations to the Board on the remuneration of the Directors and senior management of the Company, determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors and senior management of the Company, and to assess the performance of the Directors and senior management of the Company.

The Remuneration Committee held 1 meetings during the year ended 31 December 2025 to perform the principal duties of the Remuneration Committee and to review and approve material matters in relation to the share schemes adopted by the Company, including the approval of the grant of share awards under the 2023 Share Award Scheme. Please refer to the paragraph entitled "Meetings Held and Attendance" on page 23 for the individual attendance records of each member of the Remuneration Committee.

Nomination Committee

The Company established the Nomination Committee on 2 December 2016 with written terms of reference in compliance with the Listing Rules. As at 31 December 2025, the Nomination Committee consisted of four members, namely, Dr. Xu Zhihong, Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, *MH* and Ms. Liu Wanwen. Dr. Xu Zhihong is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment, re-election and succession planning of Directors.

The Nomination Committee had 1 meetings during the year ended 31 December 2025 to recommend the re-appointment of Directors standing for re-election at the annual general meeting, to review the size, structure, composition as well as diversity of the Board and to assess the independence of Independent Non-executive Directors. Please refer to the paragraph entitled "Meetings Held and Attendance" on page 23 for the individual attendance records of each member of the Nomination Committee.

BOARD DIVERSITY POLICY

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, technical and professional skills and/or qualifications, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. At least one-third of the members of the Board shall be Independent Non–executive Directors; and

2. Enhance gender diversity (female representation) on the Board.

As at 31 December 2025, representation of Independent Non-executive Directors on the Board was 50%.

As at 31 December 2025, female representation on the Board was approximately 16.7%.

The Board will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and report to the Board annually.

As at the date of this annual report, the Board comprises six Directors. The following tables illustrate the diversity of the Board Members as of the date of this annual report:

Name of Directors	Age Group	
	51–60	61–70
Dr. Xu Zhihong *(Chairman)*		✓
Mr. Zhao Yi Wen	✓	
Mr. Li Yang	✓	
Mr. Zou Haiyan		✓
Mr. Siu Miu Man, Simon, *MH*		✓
Ms. Liu Wanwen	✓	

Name of Directors	Professional Experience					
	Accounting and Finance	Business Management	Investments and Assets Management	Public Services	Surveying and Engineering	Teaching and Training
Dr. Xu Zhihong *(Chairman)*		✓	✓			
Mr. Zhao Yi Wen		✓				
Mr. Li Yang		✓				
Mr. Zou Haiyan	✓					✓
Mr. Siu Miu Man, Simon, *MH*				✓	✓	
Ms. Liu Wanwen			✓			

NOMINATION POLICY

The Company has adopted a Nomination Policy which sets out the selection criteria of Board members and the appointment process. In assessing the suitability of a candidate for directorship, the Nomination Committee shall consider the following criteria:

(a) Accomplishment, experience, reputation in the manufacturing industry and qualifications which include professional and academic qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(b) The number of existing directorships and other commitments that may demand the attention of the candidate;

(c) The ability to assist and support the management and make significant contributions to the Company's success;

(d) Willingness to devote sufficient time to discharge his/her duties as a Board member and other directorships and commitment in respect of time, interest and attention to the Company's business;

(e) Requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in Rule 3.13 of the Listing Rules;

(f) Board Diversity Policy of the Company and any measurable objectives adopted by the Board for achieving diversity on the Board;

(g) Any other relevant factors as may be determined by the Board from time to time.

DIRECTOR NOMINATION PROCEDURE

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognizes the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or the Board will identify potential candidate(s) based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details of the candidate(s) and details of his/her/their relationship with the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate(s) for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

ACCOUNTABILITY AND AUDIT

The Board acknowledges its responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group. The Board is not aware of any material uncertainties relating to events or condition that might cast significant doubt upon the Company's ability to continue in business.

Accordingly, the Board has prepared the financial statements of the Company on a going concern basis. The Board also acknowledges its responsibility to present a balanced, clear and comprehensible assessment in the Company's annual and half-yearly reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements.

The above statements, which should be read in conjunction with the independent auditor's report, are made with a view to distinguishing for Shareholders how the responsibilities of the Directors differ from those of the auditor in relation to the financial statements.

Having made appropriate enquiries and examined major areas which could give rise to significant financial exposures, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year, the Directors considered the Group has applied appropriate accounting policies consistently, made judgments and estimates that are reasonable in accordance with applicable accounting standards.

The responsibility of the Company's auditor, Rongcheng (Hong Kong) CPA Limited, is set out in the section headed "Independent Auditor's Report" on page 83 to 89 of this annual report.

For the Year, the fees in respect of the audit services provided to the Group by Rongcheng (Hong Kong) CPA Limited, is set out as follows:

Nature of services	For the year ended 31 December 2025 RMB'000
Audit services	645
Non-audit services	92

INTEGRITY AND CODE OF CONDUCT

The Group strives to maintain high standards of business ethics and corporate governance across all its activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's Employee Handbook (including therein the Group's code of conduct), the Anti-corruption Policy and the Whistleblowing Policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

COMMITMENT

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity, and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops, and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

INDEPENDENT NON-EXECUTIVE DIRECTOR

In order to ensure that independent views and input of the Independent Non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assessing the Directors' independence annually with regards to all relevant factors related to the Independent Non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as Independent Non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the Chairman meets with the Independent Non-executive Directors regularly without the presence of the Executive Directors.

WHISTLEBLOWING POLICY

In compliance with code provision D.2.6 in Part 2 of the CG Code, the Board adopted a whistleblowing policy (the "**Whistleblowing Policy**") on 31 March 2023 which provides formal channels and guidance to facilitate the raising of matters of concern by employees of the Group (the "**Employee**") and those who deal with the Group (e.g. customers, suppliers, creditors and debtors) (the "**Third Parties**", each a "**Whistleblower**"), in confidence, without fear of reprisals. Procedures have been formulated to enable the Whistleblower to report to the Group directly (addressed to the Chairman of the Audit Committee of the Group) suspected improprieties.

ANTI-CORRUPTION POLICY

In compliance with code provision D.2.7 in Part 2 of the CG Code, the Board adopted an anti-corruption policy (the "**Anticorruption Policy**") on 31 March 2023 which sets out the guidelines and responsibilities of the Employees, the Third Parties and those acting in an agency or fiduciary capacity on behalf of the Group. The Group Is committed to maintaining a high standard of integrity, openness and discipline in its business operations. The Anti-corruption Policy forms an integral part of the framework, including the CG Code and Whistleblowing Policy, outlining the Group's expectations and requirement of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Board oversees the management in the design, implementation and monitoring of the risk management and internal control systems. These systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

The Group has established an on-going process for identifying, evaluating and managing the significant risks of the Group. Business units are responsible for identifying, assessing and monitoring risks associated with their respective units. The results of evaluation will be reported to the management through regular internal meetings. Each year, the management prepares a risk assessment report which lists the risks identified and the management's assessment of the impact on the Group. The Board discusses findings in the risk assessment report and evaluates the effectiveness of the risk management and internal control systems in a Board meeting.

The Company has established and maintained procedures and internal controls for the handling and dissemination of inside information. The Company has adopted a code of conduct for dealing in the securities of the Company by the Directors in accordance with Appendix C3 of the Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with and reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. Instead, a review on the internal control and risk management systems is done annually by an independent consultancy company. During the year, an independent consultancy company with staff in possession of the relevant expertise conducted an annual review to assess the effectiveness of the Group's risk management and internal control systems. The review covered major financial, operational and compliance controls on a rotation basis and also the risk management functions. No significant deficiency has been identified during the course of review and the systems were found to be operated effectively and adequately. The Audit Committee has reviewed the internal control review report issued by the independent consultancy company and the Company's risk management and internal control systems in respect of the Year and considered that they are effective and adequate. The Board has assessed the effectiveness of internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the views.

The Group has yet to establish its internal audit function during the Year as required under code provision D.2.5 of the CG Code. The Audit Committee and the Board have considered the internal control review report prepared by the independent consultancy company and communications with the Company's external auditors in respect of any material control deficiencies identified during the course of the financial statement audit to form the basis to review the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee and the Board will continue to review the need for an internal audit function on an annual basis.

COMPANY SECRETARY

Ms. Tsang Ngo Yin ("**Ms. Tsang**"), is the Company Secretary of the Company. Ms. Tsang joined the Company on 2 June 2023. She has over 20 years of extensive experiences in regulatory compliance, corporate finance projects, internal control, auditing and financial management, including experience as the company secretary in Hong Kong listed companies. She graduated from Simon Fraser University in Canada with a Bachelor of Business Administration Degree, and further obtained a Bachelor of Laws Degree from Tsinghua University in the People's Republic of China and a Master of Laws Degree in International Corporate and Financial Law from University of Wolverhampton in the United Kingdom. She is a member of the Hong Kong Institute of Certified Public Accountants and also a member of the American Institute of Certified Public Accountants.

For the Year, Ms. Tsang has undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors of the Company, at least 25% of the Company's issued share capital were held by the public as at the date of this report.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting ("**AGM**") of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Right to Convene EGMs and Procedures

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. Any one or more member(s) holding at the date of the deposit of the requisition not less than one tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal place of business in Hong Kong at Room 2607, 26/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the attention of the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit, the Board fails to proceed duly to convene such EGM, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All such enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Right to Put forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemental from time to time.

However, pursuant to the Company's articles of association, Shareholders who wish to move a resolution may by means of requisitions convene an EGM following the procedures set out above.

Right to Propose a Person for Election as a Director

If a shareholder of the Company (the "**Shareholder**") wishes to propose a person other than a Director, for election as a new Director of the Company, the Shareholder must deposit a written notice (the "**Notice**") to the Company's principal place of business in Hong Kong at Room 2607, 26/F, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong for the attention of the Company Secretary of the Company.

The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (other than the person to be proposed). The Notice must also be accompanied by a letter of consent (the "**Letter**") signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgment of the Notice and the Letter will commence no earlier than the day after the dispatch of the notice by the Company of the general meeting appointed for election of Directors and end no later than seven (7) days prior to the date of such general meeting.

The Notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Nomination Committee of the Company and the Board of Directors of the Company to consider to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the AGM, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hg-semiconductor.com.

DIVIDEND POLICY

The Company has adopted a Dividend Policy in order to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's profits and liquidity to capture future growth opportunities.

Factors to Consider for a Dividend Proposal

Subject to the memorandum and articles of association of the Company and all applicable laws and regulations, the Board shall consider the following factors before declaring or recommending dividends:

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) prevailing economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(f) the restrictions on payment of dividends that may be imposed by the Group's lenders;

(g) dividends received/receivable from the Company's subsidiaries; and

(h) other factors that the Board may considered relevant.

Types of Dividends and Dividend Payment Ratio

Depending on the financial conditions of the Company and the Group and the conditions and factors set out in the preceding paragraph, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board may deem appropriate.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

The Company does not have any predetermined dividend payment ratio.

CONSTITUTIONAL DOCUMENTS

During the Year, there had been no significant change in the Company's constitutional documents. The memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

We are pleased to present our seventh Environmental Social and Governance ("**ESG**") Report ("**ESG Report**") of HG Semiconductor Limited for the year ended 31 December 2025 ("**Reporting Period**"), in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules and based on the material aspects of the Group and stakeholders

SCOPE OF REPORT

HG Semiconductor Limited (the "**Company**") is a leading compound semiconductor enterprise in the PRC China ("**PRC**"), focusing on the R&D, production and sales of GaN semiconductor products and LED semiconductor devices. Rooted in the semiconductor industry, the Company and its subsidiaries (the "**Group**") has built a vertical R&D system driven by "organized innovation + exploratory innovation", with a mature manufacturing and quality control system covering wafer processing, chip packaging and testing.

With business footprints across the PRC and Hong Kong, the Group provides high-quality semiconductor component solutions for downstream application fields. In 2025, the Group further advanced the integration of business and ESG, embedding low-carbon, environmental protection and responsible operation concepts into the entire business process — including semiconductor product R&D, production and manufacturing, supply chain management, and employee development. Committed to reducing the environmental footprint of semiconductor manufacturing and fulfilling social and governance responsibilities, the Group strives to become a benchmark enterprise in ESG practice within the domestic compound semiconductor industry.

About This Report

This Report sets out the Group's sustainable development initiatives, ESG performance and management measures for the 2025 fiscal year, consistent with the financial year of the Group's 2025 Annual Report. It aims to articulate material ESG matters affecting the Group's operations, demonstrate how ESG is integrated into core business decision-making, and reflect the Group's commitment to creating long-term sustainable value for all stakeholders.

This Report is prepared in accordance with the HKEX Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules. It also incorporates the Global Reporting Initiative (GRI) General Standards and semiconductor industry-specific disclosure characteristics.

The full English and Chinese versions of the ESG Report are published on the Hong Kong Stock Exchange (HKEX) disclosure platform and the Group's official website. Stakeholders are welcome to provide feedback on the Group's ESG practices and the ESG Report via the official contact information stipulated in this ESG Report.

DIRECTORS' REPORT

The Board of Directors of the Group (the "**Board**") upholds full accountability to all stakeholders and the community, and regards ESG as a core element of the Group's long-term development strategy. The Board is the highest decision-making body for ESG work, fully responsible for formulating ESG development strategies, setting measurable ESG goals, and supervising the full implementation of ESG initiatives. It integrates environmental and social considerations into all core management, strategic decision-making and financial budget processes of the Group.

The Group's ESG strategy comprehensively covers key areas: green production and environmental compliance, workplace health and safety, employee training and development, supply chain ESG management, anti-corruption and internal control, and community investment. The Board has established and implemented a series of standardized ESG policies and management systems to identify, assess, manage and monitor environmental and social operational risks, and regularly reviews the effectiveness of the ESG governance framework and the completion of ESG goals.

This ESG Report details the Group's ESG policies, quantitative performance data, implementation measures and future sustainable development planning across all business links. The Board will continue to regularly review the Group's ESG progress, dynamically adjust and optimize the ESG strategy in light of semiconductor industry trends, HKEX regulatory requirements and stakeholder expectations, to ensure the Group's ESG practice keeps pace with business development and international advanced standards.

REPORTING PRINCIPLES AND PROCESS

Core Reporting Principles

In full alignment with the Group's ESG Report and HKEX ESG reporting norms, the Group adheres to four core principles in preparing this Report:

1. **Materiality**: Identify ESG issues with the most significant impact on the Group's business operations and stakeholders' decision-making through industry benchmarking and stakeholder engagement, and focus on disclosing such material matters.

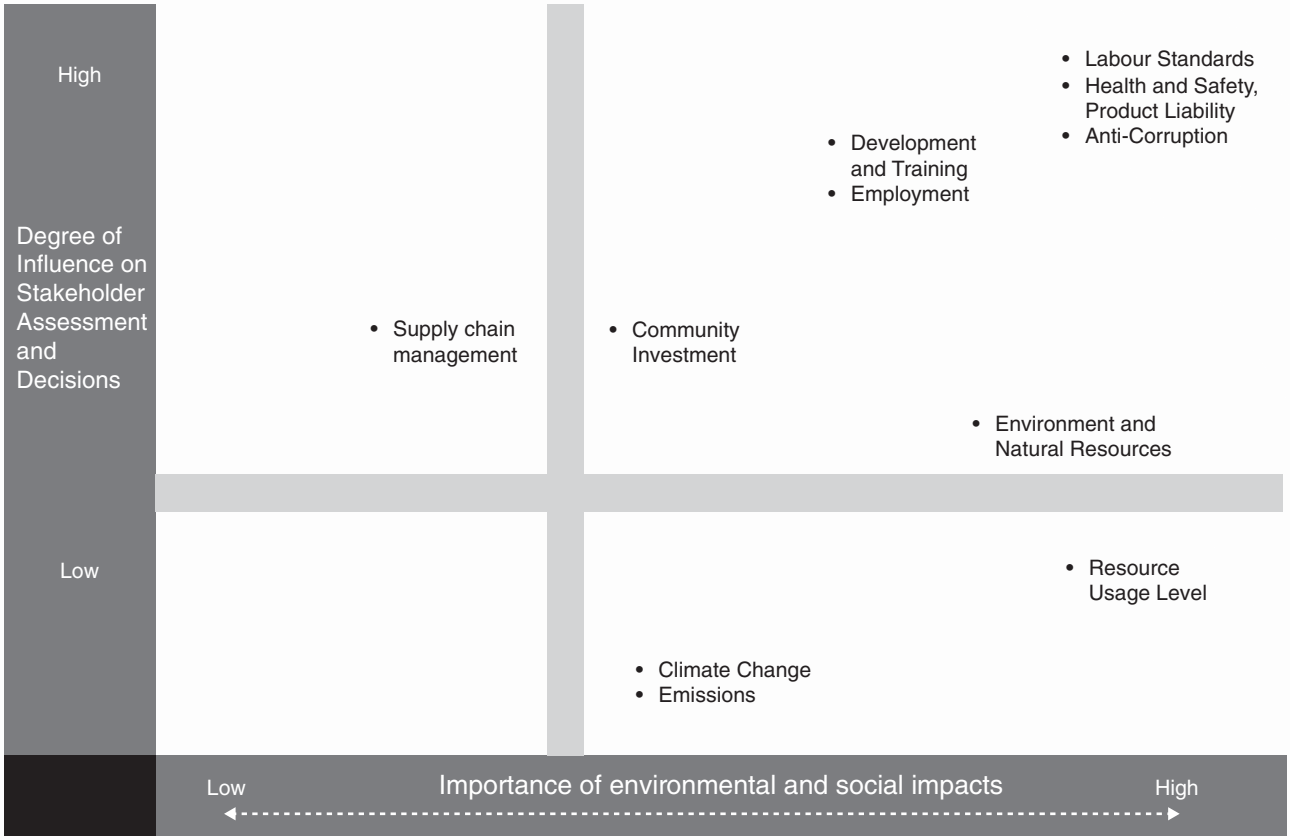
2. **Quantification**: Formulate and calculate key ESG performance indicators (KPIs) in a quantitative manner where applicable, to reflect the Group's ESG performance in a concrete and intuitive way.

3. **Balance**: Objectively and impartially present the Group's ESG achievements, existing challenges and targeted improvement plans during the reporting period, reflecting the true ESG operation situation.

4. **Consistency**: Adopt unified statistical and disclosure methods for ESG data to enable meaningful comparison of the Group's ESG performance across different reporting periods. Any changes in statistical scope and methods will be specifically elaborated in the Report.

Materiality Assessment Process

The Group conducted a comprehensive materiality assessment to identify material ESG issues for its business operations. Relevant ESG issues have been identified by reference to the ESG Guidelines and peer outcomes (as outlined in the below matrix). We analysed the results of peer benchmarking and stakeholder engagement, and consolidate their importance to stakeholders and the Group's business development to derive the overall materiality level of each ESG issue.



The materiality assessment for the 2025 financial year was conducted through a three-step standardized process, with the final results reviewed and approved by the Board:

Step 1: Identification — Industry Benchmarking

The Group conducts in-depth comparative analyses of ESG reports from both domestic and international semiconductor industry peers to identify prevailing industry trends and core challenges in ESG development. This analysis serves as the foundation for initially screening potential ESG issues relevant to the Group. Subsequently, internal management meetings are held to thoroughly discuss and evaluate the materiality and potential business impact of each screened issue, culminating in the formation of a preliminary list of material ESG issues.

Step 2: Prioritization — Stakeholder Engagement

The Group actively collects feedback and core demands from key stakeholders — including investors, customers, employees, suppliers, governments, and communities — through various channels such as on-site communications, meetings, and dedicated feedback mechanisms. Based on the consolidated stakeholder input, the coverage and level of concern regarding the preliminary material ESG issues are confirmed, enabling the prioritization and refinement of the material ESG issues list.

Step 3: Confirmation — Defining Material Issues

The Group integrates stakeholder feedback with internal management perspectives to conduct a comprehensive assessment of the prioritized ESG issues, culminating in the finalization of the core material ESG issues for the Group. All disclosed material ESG issues are ensured to fully comply with the HKEX ESG Reporting Guide and GRI Standards, while maintaining close alignment with the Group's sustainable business growth and legal compliance requirements.

Core Material ESG Issues

Combined with the semiconductor industry's characteristics and the Group's actual operations, the Group identifies the materiality of the issue to the Group through the consideration to include the strategic objectives and policies of the businesses of the Group, industry standards, legal and regulatory responsibilities, environmental protection, resource utilisation, quality control, employee protection, and etc.

Stakeholder Engagement and Communication Strategy

The Group recognizes that effective engagement and transparent communication with stakeholders are the foundation for building trust and achieving sustainable development. The Group's key stakeholders include governments (PRC & Hong Kong), shareholders and investors, employees, customers, suppliers and partners, financial institutions, media, communities and industry associations.

For different stakeholders, the Group has established targeted engagement channels and customized response measures, and formed a closed-loop management system of feedback collection → analysis and research → improvement implementation → result feedback. Stakeholder feedback is regarded as an important basis for optimizing the Group's ESG work and business development strategies.

Stakeholders	Core Expectations	Engagement Channels	Key Implementation Measures
Governments (PRC & HK)	Legal compliance, regional economic development, employment promotion, environmental protection	Policy compliance reporting, regulatory communication, on-site inspections, annual work reports	Proactively accept government supervision and on-site assessments; fulfill tax and social responsibilities; comply with semiconductor industry and environmental protection laws; disclose ESG information in accordance with regulatory requirements
Shareholders and Investors	Risk reduction, transparent operation, stable investment returns, protection of minority shareholder rights	Annual general meetings, investor briefings, HKEX disclosure, investor hotline/ email	Timely disclose financial and ESG information via HKEX; hold regular performance briefings; respond to investor inquiries in a timely manner; ensure fair treatment of all shareholders
Employees	Labor rights protection, career development opportunities, workplace health and safety, fair remuneration/promotion	Regular employee meetings, internal communication platform, training sessions, one-on-one interviews	Provide a safe production/ office environment; formulate personalized semiconductor professional training plans; establish a fair promotion and welfare system; collect and respond to employee opinions in a timely manner

Stakeholders	Core Expectations	Engagement Channels	Key Implementation Measures
Customers	High-quality/reliable semiconductor products, customized technical services, data privacy protection, stable cooperation	Customer feedback mechanism, regular technical communication, on-site visits, online service platform	Implement full-process product quality control; provide customized semiconductor solutions; establish a rapid customer response mechanism; strictly protect customer business and data privacy
Suppliers and Partners	Fair/transparent cooperation, ESG standard alignment, supply chain risk reduction, resource sharing	Supplier meetings, on-site audits, regular ESG assessments, procurement communication system	Establish a standardized supplier access/evaluation/exit system; conduct ESG audits on core semiconductor raw material/equipment suppliers; share green supply chain concepts and industry trends
Financial Institutions	Transparent information disclosure, legal/compliant operation, sound internal control	Regular financial disclosure, financial consultations, on-site visits	Disclose true and accurate financial/ESG information in a timely manner; maintain effective internal control over financial reports; comply with all financial regulatory requirements
Media	Information transparency, timely corporate news release, positive brand image	Press releases, media interviews, official website/ social media	Timely release R&D, production and ESG practice news; accept media supervision; spread the Group's green and sustainable development concept
Communities	Local employment promotion, industrial technology popularization, community public welfare, environmental protection	Public welfare activities, employment cooperation, tech popularization lectures	Prioritize hiring local residents for production/technical positions; carry out semiconductor technology science popularization; participate in community environmental protection and education assistance; drive local economic development through legal tax payment
Industry Associations	Industry standard formulation, technical exchange, ESG practice sharing	Industry seminars, technical exchange meetings, ESG forums	Participate in the formulation of semiconductor industry ESG and technical standards; share green production and ESG practice experience; conduct industry technical cooperation for common development

A. ENVIRONMENTAL ASPECT

The Group is committed to reducing the environmental impact of semiconductor manufacturing operations, and assumes full-process management responsibility for energy, raw materials and other resources used in production and office links. Adhering to the concept of "green production, low-carbon operation", the Group integrates environmental protection into the core of daily business operations, and practices sustainable development through concrete measures such as emission control, resource efficiency improvement, hazardous waste management and climate change response.

No major environmental non-compliance incidents occurred during the reporting period, and the Group strictly complies with the Environmental Protection Law of the People's Republic of China and Hong Kong environmental protection regulations.

A1: Emissions

A1.0 General Disclosures

The Group's commitment to environment friendly operations is one of core philosophies. In demonstrating our commitment to preserve the environment and mitigate pollution, the Zhuhai HongGuang Production Plant has been accredited with ISO 14001:2015 certification, an internationally recognised standard for an environmental management system, which aims at assisting organisations in identifying, managing, monitoring and controlling its environmental issues. The Group is becoming more cautious in controlling its pollutant emissions and resource consumption, and shall strictly abides by relevant environmental laws, regulations and other applicable requirements, including but not limited to the Environmental Protection Law of the PRC and 廣東省地方標準《大氣污染物排放限值》(DB44/27-2001), in its daily operation.

No material non-compliance case was noted in relation to environmental laws and regulations in Hong Kong and the PRC during the Reporting Period.

A1.1 Air Pollutant Emissions

Air pollutants mainly come from fuel consumption of wafer production/chip packaging equipment, corporate motor vehicles, and particulate matter generated during manufacturing. n our production activities, gases containing small amount of (i) benzene (ii) methylbenzene (iii) dimethylbenzene and (iv) volatile organic compounds ("**VOCs**") are generated. During the Reporting Period, the amounts of air pollutants emitted from our production facility in the PRC were approximately:

Air Pollutant	Unit	Amount		Percentage Increase (+) or Decrease (–)
		2025 Emissions	2024 Emissions	
Benzene	Kilogram	**0.1**	0.1	—
Methylbenzene & Dimenthylbenzene	Kilogram	**0.1**	0.1	—
VOCs	Kilogram	**4.6**	11.7	–61%

As a responsible enterprise, the Group makes every endeavor to take effective measures to reduce exhaust and greenhouse gas emissions, and fulfill its on-going commitments to emission reduction. The Group has installed a gas purifying system to control the amount of air pollutant emission from our production activities. Besides, we monitor the emission by engaging an independent test laboratory to perform regular tests on our emission concentration and emission speed of the abovementioned air pollutants to ensure that the amounts of emission are within the regulatory limits. We aim to reduce the emission of benzene in 2040 by 5% from 2020 as the base year. We plan to achieve the target by exploring other manufacturing methods of semiconductors and have begun our research and development process. This will be monitored every year by our Board.

Environmental protection is one of the Group's core philosophies, and we are dedicated to minimizing the environmental impact of our operations. We take full-process management responsibility for all resources and materials utilized in our daily operations, continuously advance the environmental sustainability of our business, and integrate environmental protection into the core of our day-to-day operations. By doing so, we ensure the effective fulfillment of our environmental and community obligations and put the concept of sustainable development into practice through tangible actions.

A1.2 Greenhouse Gas (GHG) Emissions

In view of the Group's business portfolio, the greenhouse gas ("**GHG**") emission produced by the Group is mainly due to the direct emissions (Scope 1) and indirect emissions (Scope 2) resulted from the use of stationary combustion sources and electricity for operation of the Group. As the amount of paper waste disposed at landfills and the volume of electricity used for processing fresh water and sewage by government departments are not generated primarily by the Group in our production process, hence disclosure on these usages are not applicable.

Greenhouse Gas Emission	Unit	Amount		Percentage Increase (+) or Decrease (–)	Intensity per Employee		Percentage Increase (+) or Decrease (–)
		2025	2024		2025	2024	
Scope 1[1] (Direct Emissions)	tCO_2e	**16.0**	1.3	+1131%	**0.099**	0.008	+1138%
Scope 2[2] (Other Indirect Emissions)	tCO_2e	**7,637**	5,974	+28%	**47.14**	37.81	+25%
Total	tCO_2e	**7,653**	5,975	+28%	**47.24**	37.82	+25%

[1] Scope 1 comprises of GHG emissions from stationary combustion sources.

[2] Scope 2 includes GHG emissions from electricity.

Due to the increased production level, the overall Scope 1 and Scope 2 emissions have increased. The Group will continue to record and monitor the GHG emissions and other relevant environmental data from time to time. Where appropriate, the management will set a target of reducing the methane consumption, in order to achieve zero carbon dioxide emissions. We plan to achieve the target by exploring other manufacturing methods of semiconductors and have begun our research and development process. This will be monitored every year by our Board.

A1.3 Hazardous Waste Production

Hazardous waste mainly includes waste semiconductor components, waste chemicals (etching solution/cleaning agent), chemical-contacted packaging barrels, and mercury-containing waste light tubes. During the Reporting Period, the amount of hazardous waste generated from our in the PRC was approximately:

Waste	Unit	Amount		Percentage Increase (+) or Decrease (–)	Intensity per Employee		Percentage Increase (+) or Decrease (–)
		2025	2024		2025	2024	
Waste organic solvent	Tonne	**1.02**	1.30	–22%	**0.006**	0.007	–14%
Organic solvent waste solution	Tonne	**1.10**	1.50	–27%	**0.007**	0.010	–30%
Cleaning Chemical	Tonne	**5.91**	0.09	+6476%	**0.036**	0.0006	+5900%
Obsolete mineral oil	Tonne	**0.02**	0.03	–33%	**0.0001**	0.0003	–67%
Obsolete light tubes	Tonne	**0.01**	0.01	—	**0.0001**	0.0001	—

* The intensity of obsolete mineral oil and obsolete light tubes are of a very low amount (lower than 0.001) and are considered to be immaterial.

The Group attaches great importance to the management of solid waste, and we implement waste management guidelines to reduce the impact from disposal and generation of hazardous waste on the environment. For example, a secure storage area has been established for hazardous waste. Furthermore, a licensed chemical waste collector has been engaged to handle our hazardous waste, resulting in minimal contamination and impact to the environment. By 2035, we plan to upgrade our production facility with more advanced machinery to reduce our waste production.

Recycling and Disposal of Waste Semiconductor components

The disposal and recycling of semiconductor components follow a compliant, streamlined process aligned with SEMI and ISO 14001 standards. First, segregate components at the source using ESD-safe containers, classifying them into reusable (undamaged carriers) and recyclable categories (silicon wafers, metal lead frames, plastic IC trays, precious metal bonding wires, and data-sensitive chips). The containers are labelled clearly with all key details logged. To ensure optimal material recovery and data security, all segregated assets are staged in a secure, ESD-controlled environment for a maximum of 90 days, during which they are monitored via a digital tracking system. The pre-treatment phase involves a rigorous inspection to identify salvageable components for reuse, followed by the permanent destruction of data-sensitive hardware using crushing or degaussing methods to guarantee total irrecoverability. Logistics are managed exclusively by licensed, ESD-compliant transporters who deliver materials to qualified recycling facilities. There, vendors employ specialized processes — including silicon purification, metal refining, and precious metal extraction — to return secondary raw materials to the circular economy. Finally, a comprehensive chain of custody is maintained for at least five years, supported by regular audits to verify regulatory compliance and the achievement of waste reduction targets.

Recycling and Disposal of Waste Chemicals

The recycling and disposal of waste chemicals in semiconductor companies adhere to strict standards (ISO 14001, RCRA, SEMI) to ensure safety and environmental compliance. To maintain high standards of safety and regulatory compliance, all waste drums must be clearly labeled with their hazard class, volume, concentration, and point of generation. These units are to be staged in a secured, ventilated warehouse equipped with secondary containment for a period not exceeding 30 days, under strictly controlled temperature and lighting conditions. Pre-treatment protocols include representative sampling, particulate filtration, and phase separation prior to transport by licensed hazardous waste specialists. Upon arrival at qualified facilities, chemicals are processed via distillation, purification, or solvent extraction to maximize resource recovery; any non-recyclable residues are managed through incineration with energy recovery or secure landfill disposal. Finally, a comprehensive chain-of-custody record is maintained for a minimum of five years, supported by recurring audits to ensure continuous adherence to environmental and safety benchmarks.

Recycling and Disposal of Packaging Barrel

Most waste packaging barrels produced during production are classified as hazardous solid waste, given their contact with chemical raw materials. Before any subsequent handling, it is imperative to thoroughly clean internal residues and ensure proper sealing to prevent leakage and environmental pollution. Used packaging barrels are collected centrally by production staff, then transported to the on-site central solid waste storage facility, where they are stored in a classified and standardized way. Inventory levels of these waste barrels are closely supervised to avoid overstocking and associated hazards. Qualified contractors are promptly arranged to perform collection, transportation, and professional disposal in strict compliance with established procedures, guaranteeing full adherence to relevant regulations and environmental protection standards throughout the entire process.

A1.4 Non-Hazardous Waste Production

Non-hazardous waste from our production is considered immaterial by management personnel, hence disclosure on non-hazardous waste is not applicable.

A1.5 Emission Reduction Targets

To support our commitment to environmental stewardship, the Group has established quantitative targets for 2026–2027, aiming to reduce Scope 1 and Scope 2 greenhouse gas emission intensity by 5%, while simultaneously achieving a 5% reduction in air pollutant emissions over the next three years. To realize these objectives, the Group will continue to implement the strategic framework focused on optimizing production processes and upgrading to high-efficiency, energy-saving equipment. Furthermore, the Group is committed to increasing renewable energy utilization and strengthening emission monitoring systems to ensure rigorous oversight and continuous improvement in sustainability performance.

A1.6 Waste Reduction & Handling

In 2025, the Group persisted in recycling a variety of waste materials, while promoting the efficient utilization of resources and packaging materials. Adhering to the principle of “reduction, reuse, and resource utilization,” the Group strived to enhance the efficiency of resource utilization. Looking ahead, the Group has set a target of reducing the total waste volume by 5% within the next three years.

A2: Use of Resources

A2.0 General Disclosures

The Group is dedicated to making every effort to improve energy efficiency and recycling of resources. The Group has formulated resource efficiency management policies for energy and semiconductor manufacturing raw materials, in which it has taken resource conservation as a core environmental management goal and establish a robust monitoring and control mechanism.

The Group strive to improve environmental performance continuously, which is achieved by setting objectives on enhancing the efficiency of our production. The major resources used by the Group are electricity and packaging materials. The efficient uses on these resources are essential for enhancing the sustainability of the community.

In our production activities, the major type of energy consumed is electricity. The major types of packaging material used for finished products are cartoon boxes and antistatic bags.

A2.1 Energy Consumption

During the Reporting Period, the amount of electricity consumed by our production facility in the PRC was approximately:

Type of Energy	Unit	Amount		Percentage Increase (+) or Decrease (–)	Intensity per Employee		Percentage Increase (+) or Decrease (–)
		2025	2024		2025	2024	
Electricity	Megawatt hour ("mWh")	**11,929**	9,792	+22%	**73.64**	61.97	+19%
Gas	Megawatt hour ("mWh")	**7.8**	6.5	+20%	**0.05**	0.04	+25%
Petrol	Megawatt hour ("mWh")	**2.5**	6.6	+62%	**0.02**	0.04	–50%
Total	Megawatt hour ("mWh")	**11,940**	9,805	+22%	**73.70**	62.06	+19%

A2.2 Water Consumption

Since water is not a primary input by the Group in our production process, hence disclosure on the water usage is not applicable.

A2.3 Energy Efficiency Goals

The core target of the Group is to reduce unit production energy consumption by 5–10% during 2026–2027. In order to achieve the goal of effective energy conservation,《資源能源節約管理程序》has been established to define the responsible departments/personnel and relevant energy saving initiatives. Measures adopted by the Group include:

- High energy efficiency lighting equipment such as LED lighting has been installed to replace traditional light bulbs
- Upgrade of high-energy-consumption wafer production and chip packaging equipment in order to optimize production processes to improve overall energy utilization efficiency
- Proper behavioral measures are also communicated to employees for the effective implementation of resources saving initiatives
- Records of electricity consumption have been maintained for evaluation of efficiency
- When procuring electrical appliance, the Group takes into consideration of its energy efficiency

We plan to switch 10% of our office's lightbulbs to LED lights to reduce the consumption of electricity by the end of 2026.

A2.4 Water Efficiency & Access

Even though water is not a primary input by the Group in our production process, the Group still reminds employees to be mindful of overall water consumption.

A2.5 Packaging Material Consumption

Packaging materials mainly include antistatic bag and cartoon box for product protection. During the Reporting Period, the amounts of packaging material used for finished product by our production facility in the PRC were approximately:

Type of Packaging Material	Unit	Amount		Percentage Increase (+) or Decrease (–)
		2025	2024	
Carton box	Tonne	**7.01**	6.34	+11%
Antistatic bag	Tonne	**5.38**	5.46	–1%

The Group proposes key optimization measures which includes cooperating with suppliers to develop eco-friendly biodegradable packaging materials, reducing excessive packaging through optimized product packaging design, and recycling and reusing packaging materials from suppliers.

A3: Environment and Natural Resources

A3.0 General Disclosures

The Group is committed to minimizing the adverse environmental impacts arising from the production activities. To demonstrate our responsibility towards environmental conservation, we continuously monitor our impacts in accordance to our ISO 14001:2015 requirements. Significant risks are assessed and reviewed based on our established《環境因素識別評價控制程序》. We respond to these risks promptly with appropriate mitigating actions. We are committed to providing adequate and appropriate resources in reducing the adverse impacts to the environment. In case of any accident of pollution, emergency plans will be formulated immediately and the case will be reported to the relevant authorities to reduce the environmental impacts to the minimal.

During the production process, mild noise is generated by our machineries. The noise may cause undesired nuisance to the surrounding neighborhood. To mitigate the noise nuisance, we maintained our machineries regularly to ensure they function properly and noisy machineries are sited as far as possible from sensitive receivers.

A3.1 Impact Reduction Measures

The Group implements stringent full-process control measures for air pollution during production activities. Regular monitoring of key factory environmental indicators is conducted to ensure ongoing compliance with all applicable pollution discharge standards, thereby minimizing the environmental footprint of manufacturing operations.

To protect biodiversity, the Group ensures that no production activities take place in ecologically sensitive areas. Factory premises are actively greened through the planting of native plant species, and the procurement of raw materials that could harm biodiversity is strictly avoided.

The Group is committed to raw material sustainability by prioritizing the procurement of materials with recognized environmental certifications. Production processes are continuously optimized to enhance raw material utilization efficiency, while the use of toxic and harmful substances is actively reduced. In addition, the Group supports ecological restoration efforts by participating in community tree-planting and environmental protection activities.

A4: Climate Change

A4.0 General Disclosures

Establish a climate change risk management framework aligned with TCFD recommendations; the Board is responsible for climate change risk supervision; formulate climate change response policies and integrate climate risk assessment into the Group's overall risk management system.

A4.1 Risk Response & Impact Management

Climate Change

Global climate change leads to ocean acidification, melting of snow and ice, continuous temperature rise, and increased the frequency of extreme weather, which in turn has a long-term impact on the socio-economic system. The Group recognises the importance of the identification and mitigation of significant climate-related issues, therefore, the Group is committed to managing the potential climate-related risks which may impact the Group's business activities.

Physical Risk

Acute physical risks, which arise from particular events, especially weather-related events such as storms, floods, fires or heatwaves that may damage production facilities and disrupt value chains. This may affect our inability to meet our customer's demand affecting our business operations and ultimately affecting the Group's relationship with the customers. The Group has established contingency measures that encompasses a variety of weather related events to reduce the resilient risk. We will make reasonable adjustments to the production plan to secure normal transportation of raw materials and supplementary materials, as well as normal operation of our facilities, thereby mitigating the adverse impacts arising from climate change.

Chronic physical risks, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity. These factors would also have an impact on the storage and manufactory environment. The Group has adopted measures to ensure that the changes in weather related patterns have minimal impact on the storage environment.

Transition Risk

Policy and legal risk: Even though the business environment may be affected by policy changes, the Group's business operations are flexible and able to adapt to policy changes. As the Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of LED, the potential policy and legal risk are relatively low. In this Reporting Period, the Group was not aware of any third party litigations on climate change or incompliance with climate-related laws.

Technology Risk: In response to technological risks, we have allocated resources to refurbish and enhance LED production, with the aim of reducing the damaging impact on the climate. In the future, the Group may further consider other technological enhancements to streamline business operations.

Market Risk: Consumer preferences have shifted to renewable and sustainable energy sources, thus the LED business may be affected by climate-related changes. The Group may strive to reduce its impact on the climate and will continue to monitor any market-related risks.

Reputational risk: In order to align with the public's sentiment on climate change, the Group has integrated environmental measures within the business operations. The Group will closely monitor the carbon footprints of the business operations and further explore other ways to reduce our impact on the environment.

No significant climate-related extreme weather impacts on the Group's production and operations in 2025 and production and operation remained stable throughout the year.

B. SOCIAL ASPECT

The Group regards social responsibility as an important part of sustainable development, and focuses on employee care and development, supply chain ESG management, product responsibility, and community investment in its social practice. Adhering to the principle of "people-oriented, win-win cooperation", the Group fulfills social responsibilities in all links and builds a harmonious and sustainable development ecosystem with employees, customers, suppliers and communities.

B1: Employment

B1.0 General Disclosures

The Group believes employees are valuable assets and the foundation for success and development of the Group. It is our policy to maintain a working environment that strictly complies with the Labor Law of the People's Republic of China and the Employment Ordinance of Hong Kong. The Group also strictly adhere to the principles of Labour Contract Law of the PRC, the PRC Social Insurance Law, Regulations on Management of Housing Provident Fund, and equal employment and anti-discrimination, with no discrimination based on race, gender, age, religion, disability, etc. in any employment link.

As at 31 December 2025, the Group has a workforce of 159 full-time employees and 3 part-time employees in the PRC and Hong Kong.

B1.1 Employee Structure

As at 31 December 2025, the Group has a total of 159 full-time employees and 3 part-time employees, with business coverage across the PRC and Hong Kong. All employment arrangements are in strict compliance with the Labour Law of the People's Republic of China, the Employment Ordinance of Hong Kong and applicable laws and regulations. The number of employees and the percentage of turnover by gender, employment type, age group, region and employment mode are set out below:

Key Performance Indicator	Category	Number of Employees		Percentage Increase (+) or Decrease (–)
		2025	2024	
Gender	Male	**109**	108	+1%
	Female	**53**	50	+6%
Employment type	Full time	**159**	158	+1%
	Part time	**3**	—	100%
Age group	Below 30	**53**	53	—
	Between 31 and 40	**49**	50	–2%
	Between 41 and 50	**48**	44	+9%
	Above 51	**12**	11	+9%
Geographical region	Mainland China	**158**	153	+2%
	Hong Kong	**4**	5	–20%

We aim to create a harmonious working environment for our employees by offering competitive remuneration packages that align with market standards. These packages are structured to correspond with individual responsibilities, qualifications, work experience, and performance. An annual performance review is conducted for all employees, and the appraisal results serve as the basis for adjusting salaries. We highly value employees who share the same core values and aspirations as the Group, and accordingly we provide them with sufficient development opportunities to support their professional growth.

The Group also believes that a good work-life balance can help reduce the stress that staff are bearing, thereby increasing overall productivity. Working hours and leaves are determined in consideration of both operation needs and statutory requirements to ensure staff have sufficient rest and personal life.

Opportunities should be fairly given based on the performance of employees. Talent selection and appointment are strictly based on merit, integrity, and capability, with professional competence, work performance, and overall quality serving as the sole criteria for evaluation and placement. This belief is further enhanced by our equal opportunity statement, in which diversity of employee is respected on their personal characteristics, which include age, sex, nationality, disability and religion. No discrimination is tolerated, and employees should report discrimination cases to the management.

The Group continuously optimizes its human resources management system and refines its management practices. By establishing clear career development paths, a comprehensive training system, and people-oriented employee care mechanisms, we endeavor to build an open, positive, inclusive, and cohesive working environment. This enables every employee to realize their personal value in appropriate positions and grow together with the Group.

Employee recruitment, dismissal, movement, compensation, working hours, rest periods, welfare, and other employment practices are clearly documented in the Human Resources Policy and Employee Handbook of the Company.

No material non-compliance case was noted in relation to employment laws and regulations in Hong Kong and the PRC during the Reporting Period.

B1.2 Employee Turnover

During the Reporting Period, the Group's overall employee turnover rate was approximately 27%. The employee turnover rate by (i) gender, (ii) age group, (iii) geographical region are presented in the table below:

Category		Number of Employees in Percentage		Percentage Increase (+) or Decrease (–)
		2025	2024	
By gender	Male	**29%**	19%	+10%
	Female	**19%**	6%	+13%
	Part time	**—**	—	—
Age group	Below 30	**51%**	11%	+40%
	Between 31 and 40	**16%**	9%	+7%
	Between 41 and 50	**6%**	3%	+3%
	Above 51	**0%**	2%	–2%
By geographical region	Mainland China	**28%**	25%	+3%
	Hong Kong	**—**	—	—

B2: Health and Safety

B2.0 General Disclosures

The Group realises that the health and safety of employees are of paramount importance and therefore, we make every effort to build and maintain a working environment which is free of workplace health and safety incidents and to comply fully with Production Safety Law of the PRC and Fire Control Law of the PRC.

We have published booklets with occupational health and safety for circulation to our employees to raise their awareness of occupational health and safety. We have also established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the Reporting Period, no material non-compliance case was noted in relation to health and safety laws and regulations in Hong Kong and the PRC. There were no work-related fatalities and the Group did not record any lost days during its manufacturing process due to work injury in the past three reporting periods.

B2.1 Work-Related Fatalities

The Group has maintained zero work-related fatalities over the past three years (2023–2025). No fatal accident risks have been identified in its semiconductor production processes. To safeguard employee safety, the Group has implemented stringent accident prevention measures and comprehensive emergency response plans.

B2.2 Lost Days Due to Work Injury

The Group recorded zero lost working days due to work-related injuries in 2025. No major occupational injury incidents occurred during the reporting period.

B2.3 Occupational Health and Safety Measures

The Group places strong emphasis on employee health protection through a comprehensive occupational health management system. Safety training and assessment form a critical part of the Group's employee onboarding and ongoing development processes. Every employee must complete relevant safety training and pass the associated assessments before commencing work. Regular Environmental, Health, and Safety (EHS) training is conducted with 100% coverage across the workforce. The core content includes production line safety, chemical handling, fire safety, and emergency evacuation procedures.

With respect to safety management, strict requirements are implemented for all employees: they must complete safety training and pass the corresponding assessment prior to taking up their posts, and strictly adhere to factory traffic rules as well as emergency evacuation standards. For high-risk positions, appropriate protective equipment is provided, and employees are guided to use such equipment correctly. Meanwhile, the safety operation standards for each position are continuously refined and improved. Additionally, regular workplace safety training is conducted to cover every employee, with training content encompassing production line safety, chemical handling and storage, fire safety, electrical safety, and emergency evacuation. This comprehensive training effectively enhances employees' safe operation capabilities and strengthens their risk prevention awareness.

In terms of working conditions, the Group has formulated clear requirements and EHS management norms, specifically as follows:

Collaborative Environment Improvement: The Group requires itself and its cooperative partners to jointly optimize the working environment, ensuring a safe and comfortable workplace for all employees.

Safety Warning and Risk Disclosure: Clear safety warning signs must be set up in relevant areas. When signing labor contracts, the Group is obligated to truthfully inform employees of the potential risks associated with their respective positions.

EHS Commitment Implementation: The Group's overall EHS (Environment, Health, Safety) commitments are clearly defined in its policy, covering five key aspects including EHS training and education, on-site safety management, and the rectification of harmful factors in the workplace.

Responsibility and Incentive Mechanism: Clear boundaries of responsibility have been established. For any violations of EHS norms, corresponding penalty measures are formulated, ranging from verbal criticism and disciplinary action to termination of labor contracts. Meanwhile, positive behaviors that contribute to the promotion of EHS work are actively encouraged.

The Group implements robust hazard control measures and ensures the provision of appropriate personal protective equipment (PPE). Production hazards are systematically identified and managed through classified control methods. Professional PPE is provided to employees in high-risk positions, accompanied by clear guidance on its correct use. Prominent safety warning signs are also displayed throughout production areas to enhance awareness and compliance.

The Group's emergency management capabilities are continuously strengthened to ensure rapid and effective response to potential incidents. The Group has developed and refined emergency response plans for scenarios such as hazardous chemical leakage, electric shock, and fire. Regular practical emergency drills were organized four times in 2025, with emergency plans optimized based on the outcomes and lessons learned from these exercises. Daily safety supervision is also maintained through structured governance mechanisms.

Quarterly hidden danger inspections are conducted, achieving 100% closed-loop rectification of identified issues. In addition, special safety inspections are carried out before major holidays to further reinforce a culture of safety across the workplace.

B3: Development and Training

The Group highly emphasises employees' professional skill improvement, training and learning and allows employees to fully utilise their specialty and potentials at different positions. The Group encourages individuals to combine their own specialty and habits with the Group's business development and proactively strive for opportunities.

The Group has provided trainings across different operational functions, including induction training for new employees, technical training, and training to enhance the employees' knowledge in safety measures when performing their duties. Safety training is crucial to enhance employees' safety awareness in order to mitigate the risk of work-related injury. The Group reminds the employees the importance of safe operation by posting safety warning signs and safety banners in the workplace, setting up safety knowledge column and distributing safety leaflets. The percentage of total employee who take part in training is 90% and the average training hours per employee is 21.6 hours.

Category	Ke Performance Indicators	Percentage		Percentage Increase (+) or Decrease (–)	Average Training Hours		Percentage Increase (+) or Decrease (–)
		2025	2024		**2025**	2024	
Gender Category	Male	**67%**	65%	+2%	**22.6**	25.1	–10%
	Female	**33%**	35%	–2%	**19.6**	27.9	–30%
Employment Category	Senior management	**8%**	8%	—	**21.4**	22.9	–7%
	Middle management	**17%**	19%	–2%	**31.4**	33.0	–5%
	Frontline and other employees	**75%**	73%	+2%	**19.5**	24.6	–21%

B4: Labour Standard

B4.0 General Disclosures

The Group believes children should enjoy their childhood and be free from the pressure of work. Furthermore, no one should be forced to work by any means, such as abuse and physical punishment. No child and forced labour is accepted under our human resources practices. We provide detailed guidelines and protocols for tackling the risks in our recruitment process, which is in strict compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the PRC, Labour Contract Law of the PRC and Regulations on Labour Security Supervision issued by the State Council of the PRC, and takes reference to the international labour standards in formulating internal guidance and labour system.

The Group implements a "zero-tolerance" policy for labour code violation and ensures all employment practices are legal and compliant. No material non-compliance with child and forced labour laws and regulations in Hong Kong and the PRC during the Reporting Period is noted.

B4.1 Recruitment Practice Review

The Group has formulated strict recruitment process review measures to prevent child labor and forced labor from the source. All job applicants are required to provide valid identification documents, and their age and legal residence information are rigorously verified through systematic checks. A recruitment background verification system has been established for key positions to ensure the authenticity and accuracy of applicant information.

The Group explicitly prohibits any form of illegal recruitment and clearly stipulates a minimum employment age of 18 years old in its recruitment policy. In addition, recruitment staff receive targeted training on labor code compliance to strengthen their ability to identify and mitigate risks associated with illegal recruitment practices. The Group explicitly prohibits taking the withholding of personal identification documents, collection of deposits, or any form of property as prerequisites for employment in the recruitment and employment process. Instead, it strictly regulates employment procedures, safeguards the legitimate rights and interests of employees through standardized management systems, and thoroughly eliminates forced labor and all unreasonable restrictive measures that hinder employees' legitimate rights and interests.

B4.2 Violation Remediation Steps

The Group has formulated clear and standardized remediation steps to address any labor code violations that may be identified. Upon discovery of a violation, the Group immediately suspends the relevant employment behavior and conducts a thorough investigation to determine the root causes. Timely rectification measures are then implemented, which may include terminating illegal employment relationships and providing appropriate compensation to affected parties. Responsible individuals are held accountable through disciplinary actions or dismissal, depending on the severity of the violation.

To prevent recurrence, the Group optimizes its internal employment management system based on the findings of the investigation. In cases of serious violations, the matter is reported to the relevant regulatory authorities in accordance with applicable laws and regulations.

B4.3 legitimate rights and interests of employees

The Group attaches great importance to protecting the legitimate rights and interests of employees, and has formulated clear requirements and standardized management measures around employees' rest rights and work-life balance. Specifically, the Group strictly abides by relevant labor standards and laws, and explicitly protects employees' right to rest and personal dignity. It clearly stipulates that employees are entitled to reasonable working hours, and prohibits any form of forced overtime or improper management behavior. At the same time, the Group strengthens the management of employees' rest rights through standardized institutional norms and regular supervision, ensuring that employees can balance work and rest.

B5: Supply Chain Management

B5.0 General Disclosures

Suppliers have a direct impact on the Group's sustainability performance. To oversee suppliers' environmental and social performances, we strive to incorporate green practices in our procurement activities.

Suppliers' environmental and social performances, such as their choice of raw materials, use of natural resources, product health and safety, employment practices and occupational safety measures, are taken into account in our supplier selection process. On-going monitoring is also performed on their performance through our annual supplier appraisal. All suppliers must comply with all the applicable laws and regulations. If any contravention is found, the supplier relationship will be terminated. The Group's supplier base is diversified across the PRC. During the Reporting Period, the Group has a total of 254 suppliers.

B5.1 Supplier Distribution

As at 31 December 2025, the Group has a total of 254 suppliers (all located in the PRC), covering semiconductor raw materials, production equipment, packaging materials and logistics services.

B5.2 Supplier Engagement Practices

The Group implements a robust supplier ESG management system to ensure responsible and sustainable practices throughout its supply chain. Annual audits are conducted on all core suppliers of raw materials and equipment. Suppliers are evaluated across four key dimensions: quality (40%), delivery (15%), ESG performance (15%), and price (30%). Only suppliers achieving an overall score of 80 or above are considered qualified.

The Group also provides annual semiconductor industry supply chain ESG training to all suppliers, covering critical topics such as EHS management, labor compliance, and green production. Furthermore, the Group establishes long-term strategic cooperative relationships with qualified suppliers. Regular supplier meetings are held to share industry trends and ESG requirements, fostering continuous improvement and mutual development across the supply chain.

B5.3 Risk Identification Measures

The Group systematically identifies ESG risks across all stages of the supply chain, including procurement, production, and delivery, and has established a comprehensive risk assessment and control mechanism.

In the pre-procurement stage, the Group conducts thorough ESG risk assessments on potential suppliers and excludes those with high environmental or social risks from consideration. During the cooperation stage, suppliers' ESG performance is regularly monitored, with unannounced on-site audits carried out to identify and address any hidden risks in a timely manner.

At the delivery stage, the Group evaluates the environmental impact of suppliers' transportation and packaging methods, and requires suppliers to adopt low-carbon transportation options and eco-friendly packaging solutions. For any identified ESG risks, the Group formulates targeted risk mitigation measures and has implemented a supplier risk early warning system to enable prompt response and effective control.

This structured approach ensures proactive management of ESG risks throughout the supply chain, supporting sustainable and responsible operations.

B5.4 Eco-Friendly Supplier Selection

The Group has formulated clear green procurement criteria to actively promote the use of eco-friendly products and services in supplier selection. Suppliers with environmental certifications such as ISO 14001 and green product certifications are given priority during the selection process. The Group requires suppliers to provide eco-friendly raw materials and equipment, including low-energy-consumption production equipment and recyclable packaging materials.

In addition, the Group encourages suppliers to continuously optimize their production processes to reduce environmental impact and actively shares green production technologies with core suppliers to drive joint sustainability efforts across the supply chain.

B6: Product Responsibility

B6.0 General Disclosures

Continuous customer satisfaction and support are essential for our growth and profitability. We are committed to providing products and services that meet customers' requirements and comply with regulations such as the Product Quality Law of the PRC and the Law of the PRC on the Protection of Consumer Rights and Interests. We consistently deliver high product quality by adopting internationally recognised standard on quality control practices, including the ISO 9001:2015, ISO 14001:2015 and IATF 16949:2016.

We have a team of quality control personnel, which is responsible to examine products at each key stage of production to ensure that the quality of the products can meet our internal standards and customers' requirements.

B6.1 Product Recall Rate

During the Reporting Period, none of our products were recalled. The Group implements strict full-process quality control to ensure all products meet the industry quality standards before delivery. Unqualified products are strictly prohibited from entering the market.

B6.2 Customer Complaints

During the Reporting Period, the Group did not receive any complaints related to the Group's products and services. The Group values feedbacks from our customers for continuous improvement. The staff members of our sales and marketing team regularly pay visits to and communicate with our customers to collect their feedback on the quality, preferences, improvements and market demands of our products. Our Sales and Marketing team share this information with our Production Team and the Research and Development Team in order to improve our products and/or services.

B6.3 Intellectual Property Protection

In order to safeguard intellectual property, the Group has established an intellectual property management procedure. This procedure covers all business operations and include relevant external stakeholders that may disclose sensitive information related to intellectual property. From the top level, different departments are required to amend, review and enhance their relevant intellectual property protection measures. They should also host regular training sessions for all the employees to raise awareness and to provide a guiding principle of intellectual property rights. The contracts which are entered into between the Group and employees, distributors and relevant parties should contain a confidentiality clause to prevent disclosure of sensitive information. In order to detect any breaches in the confidentiality clause, the Group has established a whistle-blowing platform for the employees to report any incident of sensitive information disclosure.

Currently, the Group complies with the following relevant laws and regulations:

1. Patent Law of the People's Republic of China (中華人民共和國專利法)

2. Trademark Law of the People's Republic of China (中華人民共和國商標法)

3. Anti-Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法)

B6.4 Quality Verification & Recall Procedures

The Group implements a comprehensive full-process quality verification system, encompassing Incoming Quality Control (IQC) for raw materials, In-Process Quality Control (IPQC) for all production stages, and Final Quality Control (FQC) for finished products. All inspection records are meticulously standardized and fully traceable to ensure transparency and accountability. In addition, a detailed Product Recall Guide has been established to manage potential quality issues effectively. Unqualified products are classified into three categories — urgent, priority, and regular — based on the degree of hazard they pose. The guide clearly defines the entire recall process, from problem discovery and root cause analysis to recall initiation, implementation, and final product disposal. To maintain the effectiveness of the recall system, annual product recall procedure drills are conducted. Following each drill, the procedures are thoroughly evaluated and optimized as necessary to ensure continuous improvement.

B6.5 Consumer Data Protection

The Group has implemented certain internal control measures in ensuring the confidentiality of our operation data so as to protect our suppliers, business partners, customers and ourselves. The Group's employment contract and Code of Conduct section in the Employee Handbook, clearly define the requirements in protecting company data, for example general staff is not allowed to photocopy the Group's confidential documents without prior management approval. Staff are required to strictly adhere to the Group's Data Privacy Policy, and any acts which will breach data confidentiality are prohibited.

No material non-compliance case was noted in relation to product and service quality laws and regulations in Hong Kong and the PRC during the Reporting Period.

B7: Anti-Corruption

B7.0 General Disclosures

Corruption, bribery, money-laundering, and any other kinds of business fraud are strictly prohibited in the Group. We closely observe relevant laws and regulations such as the Anti-corruption Laws in PRC and the Prevention of Bribery Ordinance in Hong Kong. Employees and the management must demonstrate integrity in every business operation, with reference to the Code of Conduct section in the Employee Handbook established by the Group. No tolerance is given to fraud.

B7.1 Corruption Cases Outcome

During the Reporting Period, no material non-compliance with business fraud laws and regulations in Hong Kong and the PRC is noted.

B7.2 Preventive & Whistleblowing Measures

To enhance the governance of the Group, internal controls have been established to mitigate the risk of frauds. An Anti-fraud Policy has been established to govern the investigation and follow-up procedures of reported fraud incidents. The management is responsible for developing and ensuring the effectiveness of internal controls. Any abnormality should be reported to the management for investigation.

To enhance fraud, corruption, and bribery prevention and control, the Group has established a comprehensive reporting mechanism, enabling employees and the general public to confidentially report suspected cases of fraud, corruption, and bribery. For allegations involving fraudulent or deceptive conduct, the Group will conduct internal investigations or refer the cases to the competent regulatory authorities as appropriate. Upon the completion of each investigation, a formal report will be submitted to the management for further action. Where the alleged violations are substantiated after verification, the Group reserves the right to take all necessary and appropriate measures, including terminating the employment of the responsible parties, reporting the violations to the relevant government authorities, and pursuing their liability through civil and criminal proceedings.

B7.3 Anti-Corruption Training Provision

During the Report Period, 6 directors and 60 employees have undergone an average of 4 hours of anti-corruption training to strength our corporate governance. The percentage of total employee who take part in training is 41%.

B8: Community Investment

B8.0 General Disclosures

The Group cares about its community, and is willing to give our helping hands to the needy in order to promote the harmony and stability of the society. The management is aware of the needs of the society, and seeking for any opportunity to enhance the sustainability of the community, such as regular social welfare activities. The Group organized and participated in local community events such as home visits to elderly during the Reporting Period.

B8.1 Community Contribution Areas & 8.2 Allocated Resources

The Group attaches great importance to fulfilling its social responsibility and gives priority to recruiting local residents in the areas surrounding its production bases and office premises. This initiative not only creates more employment opportunities for local communities but also effectively drives the sustainable development of the regional economy.

The Group has organized its employees to participate in various community volunteer activities, including community tree-planting activities, visiting seniors and clothes donation aiming to enhance the sense of social responsibility of employees and contribute to the construction of a harmonious community.

THE ESG REPORTING CODE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

ESG Pillar	KPIs	Subject Areas/Aspects	Description	Corresponding Section
ENVIRONMENTAL	A1.0	Emissions — General Disclosures	Emission management policies; compliance with environmental laws; emission reduction target formulation	A. Environmental Aspect — A1
	A1.1	Emissions — Air Pollutant Emissions	Air pollutant types/data; control measures; emission reduction targets	A. Environmental Aspect — A1
	A1.2	Emissions — Greenhouse Gas Emissions	Scope 1/2 GHG emissions total/ intensity; monitoring & reduction measures	A. Environmental Aspect — A1
	A1.3	Emissions — Hazardous Waste Production	Hazardous waste total/intensity; classification/storage/disposal measures	A. Environmental Aspect — A1
	A1.4	Emissions — Non-Hazardous Waste Production	Non-hazardous waste total/ intensity; sorting/recycling measures	A. Environmental Aspect — A1
	A1.5	Emissions — Emission Reduction Targets	GHG/air pollutant reduction targets; implementation steps & tracking mechanism	A. Environmental Aspect — A1
	A1.6	Emissions — Waste Reduction & Handling	Waste reduction targets; full-process handling methods; traceability management	A. Environmental Aspect — A1
	A2.0	Resource Use — General Disclosures	Resource efficiency policies; green production design principles; monitoring mechanism	A. Environmental Aspect — A2
	A2.1	Resource Use — Energy Consumption	Energy consumption total/ intensity by type; energy-saving measures	A. Environmental Aspect — A2
	A2.2	Resource Use — Water Consumption	Water consumption total/ intensity; water-saving & recycling measures	Not applicable as disclosed in the section
	A2.3	Resource Use — Energy Efficiency Goals	Energy efficiency targets; implementation steps; equipment upgrade & process optimization	A. Environmental Aspect — A2

ESG Pillar	KPIs	Subject Areas/Aspects	Description	Corresponding Section
	A2.4	Resource Use — Water Efficiency & Access	Water efficiency targets; water source management; wastewater reuse measures	Not applicable as disclosed in the section
	A2.5	Resource Use — Packaging Material Consumption	Packaging material total/intensity; eco-friendly packaging optimization	A. Environmental Aspect — A2
	A3.0	Environment and Natural Resources — General Disclosures	Environmental impact minimization policies; green operation principles	A. Environmental Aspect — A3
	A3.1	Environment and Natural Resources — Impact Reduction Measures	Pollution control; biodiversity protection; raw material sustainability; ecological restoration	A. Environmental Aspect — A3
	A4.0	Climate Change — General Disclosures	Climate change risk management framework; TCFD alignment; policy formulation	A. Environmental Aspect — A4
	A4.1	Climate Change — Risk Response & Impact Management	Physical/transition risks; impact assessment; targeted response measures	A. Environmental Aspect — A4
SOCIAL	B1.0	Employment — General Disclosures	Employment policies; labor law compliance; equal employment & anti-discrimination	B. Social Aspect — B1
	B1.1	Employment — Employee Structure	Employee numbers by position/ gender/age/region	B. Social Aspect — B1
	B1.2	Employment — Employee Turnover Rate	Turnover rate by position/gender/ age/region; retention measures	B. Social Aspect — B1
	B2.0	Health and Safety — General Disclosures	EHS management policies; occupational health & safety law compliance	B. Social Aspect — B2
	B2.1	Health and Safety — Work-Related Fatalities	Work-related fatalities number/ rate in the past three years	B. Social Aspect — B2
	B2.2	Health and Safety — Lost Days Due to Work Injury	Lost working days due to work injury; injury treatment & prevention	B. Social Aspect — B2
	B2.3	Health and Safety — OHS/EHS Implementation Measures	Safety training; hazard control; PPE provision; emergency management	B. Social Aspect — B2

ESG Pillar	KPIs	Subject Areas/Aspects	Description	Corresponding Section
	B3.0	Development and Training — General Disclosures	Training policies; skill enhancement framework; training needs assessment	B. Social Aspect — B3
	B3.1	Development and Training — Training Participation Rate	Training participation rate by gender/position/department	B. Social Aspect — B3
	B3.2	Development and Training — Average Training Hours	Average training hours by gender/position; core training content	B. Social Aspect — B3
	B4.0	Labour Code — General Disclosures	Labor code compliance policies; prohibition of child/forced labor	B. Social Aspect — B4
	B4.1	Labour Code — Recruitment Practice Review	Recruitment process review measures; anti-child/forced labor control	B. Social Aspect — B4
	B4.2	Labour Code — Violation Remediation Steps	Violation investigation; rectification measures; responsible person accountability	B. Social Aspect — B4
	B5.0	Supply Chain Management — General Disclosures	Supply chain ESG policies; international standard compliance; green supply chain construction	B. Social Aspect — B5
	B5.1	Supply Chain Management — Supplier Distribution	Supplier numbers by region/type; core supplier classification	B. Social Aspect — B5
	B5.2	Supply Chain Management — Supplier Engagement Practices	ESG evaluation/audit/training; qualified supplier standards	B. Social Aspect — B5
	B5.3	Supply Chain Management — Risk Identification Measures	Supply chain ESG risk identification at all stages; risk assessment & control	B. Social Aspect — B5
	B5.4	Supply Chain Management — Eco-Friendly Supplier Selection	Green procurement criteria; eco-friendly product/service promotion	B. Social Aspect — B5
	B6.0	Product Liability — General Disclosures	Product responsibility policies; quality/safety law compliance; customer rights protection	B. Social Aspect — B6

ESG Pillar	KPIs	Subject Areas/Aspects	Description	Corresponding Section
	B6.1	Product Liability — Product Recall Rate	Product recall rate; quality control measures to prevent recalls	B. Social Aspect — B6
	B6.2	Product Liability — Customer Complaints	Customer complaint number; feedback mechanism & resolution methods	B. Social Aspect — B6
	B6.3	Product Liability — Intellectual Property Protection	IP management system; core technology protection; anti-infringement measures	B. Social Aspect — B6
	B6.4	Product Liability — Quality Verification & Recall Procedures	Full-process quality control; product recall classification & implementation steps	B. Social Aspect — B6
	B6.5	Product Liability — Consumer Data Protection	Data privacy policies; access control; leakage prevention measures	B. Social Aspect — B6
	B7.0	Anti-Corruption — General Disclosures	Anti-corruption policies; compliance with anti-corruption laws; ethical operation principles	B. Social Aspect — B7
	B7.1	Anti-Corruption — Corruption Cases Outcome	Corruption case number/ outcome; no penalty record	B. Social Aspect — B7
	B7.2	Anti-Corruption — Preventive & Whistleblowing Measures	Anti-corruption audits; confidential reporting mechanism; investigation & disposal	B. Social Aspect — B7
	B7.3	Anti-Corruption — Training Provision	Anti-corruption training coverage/ hours; training content for employees/suppliers	B. Social Aspect — B7
	B8.0	Community Investment — General Disclosures	Community investment policies; community needs assessment; business-community alignment	B. Social Aspect — B8
	B8.1	Community Investment — Contribution Focus Areas	Employment promotion; tech popularization; education assistance; environmental protection	B. Social Aspect — B8
	B8.2	Community Investment — Allocated Resources	Financial/material/human resources allocated; public welfare activity results	B. Social Aspect — B8

DIRECTORS' REPORT

The Directors submit herewith their annual report together with the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

BUSINESS REVIEW

Further discussion and analysis of these activities, including a business review of the Group for the Year, can be found in the Management Discussion and Analysis as set out on pages 6 to 16 of this annual report. These discussions form part of this Directors' report.

RESULTS

The results of the Group for the Year are set out in the consolidated statements of profit or loss and other comprehensive income on page 90.

The Board does not recommend the payment of a final dividend for the Year.

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 154. The summary does not form part of the audited consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year under review are set out in the consolidated statements of changes in equity on page 93 and note 27 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the Year in the share capital of the Company are set out in note 26 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Article 191 of the Articles of Association of the Company provides that Directors or other officers of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her duty or supposed duty in his/her office.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's memorandum and articles of association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the Companies Act, Chapter 22 (as consolidated and revised) of the Cayman Islands, share premium and retained profits of the Company are distributable to the shareholders. As at 31 December 2025, the Company's reserves available for distribution to the shareholders of the Company amounted to approximately RMB496.3 million.

TAX RELIEF

The Company is not aware of any relief on taxation to the Shareholders by reasons of their holdings of the Shares. If the Shareholders are unsure about the taxation implication of purchasing, holding, disposing of, dealing in, or exercise of any rights in relation to the Shares, they are advised to consult their professional advisers.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the largest customer accounted for approximately 12.9% (2024: approximately 26.2%) of the total revenue. For the Year, the percentage of revenue derived from the five largest customers in aggregate was approximately 50.1% (2024: approximately 67.6%).

For the Year, the largest supplier accounted for approximately 16.6% (2024: approximately 22.5%) of the total purchases. For the Year, the five largest suppliers in aggregate accounted for approximately 57.1% (2024: approximately 64.4%) of the total purchases.

None of the Directors, their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had an interest in any of the Group's five largest customers and suppliers during the Year.

EQUITY-LINKED AGREEMENT

Other than the Share Option Scheme, the 2023 Share Award Scheme and the Employee Share Incentive Scheme as disclosed in this annual report, for the year ended 31 December 2025, the Company did not enter into any equity-linked agreement and there was no equity-linked agreement.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group.

Research and Development ("R&D") Risk

Semiconductors involve comprehensive application of technology, and engineering disciplines and are characterised by fast process technology iteration, significant capital investment, as well as long R&D cycle. It requires a high technological level, early technical demonstration, and continuous R&D efforts for a long period of time.

Considering that the R&D process of developing new technology of third-generation semiconductor is more complicated, time-consuming and costly, considerable uncertainty may be involved for the Group's business. If the Group fails to keep up with the needs of the industry and accurately identify the direction of R&D and fails to launch third-generation semiconductor products that meets market needs on time, or cannot keep up with the latest industry trend, the Group's competitiveness and market share may be affected, which in turn negatively impact its business performance.

The R&D of new semiconductor technology requires enormous capital investment. Changes in technological design and performance specifications or other external factors may have various levels of negative impact on operations. If the Group's investment in R&D and technology is insufficient to support technological upgrade upgrades, the Group's reputation and technology may be overtaken or replaced, which may adversely affect its business performance, leading to financial loss or damage in reputation.

The Group recognises the vital role of R&D and believes its continuous investment in R&D during the Year was sufficient to support its development, upgrade the existing technology platform so as to maintain its market competitiveness.

Human Capital Risk

The semiconductor industry is a talent-intensive industry, requiring talents to possess solid professional knowledge and long-term technical precipitation. Excellent R&D, engineering, and technical personnel are essential for the Group to improve its competitiveness and enhance business performance.

In view of the fast-changing market dynamics, technological advancement and an increasingly diversified business landscape, the Group faces intense competition for skilled and experienced workers and industry talents. Failure to recruit or retain skilled and experienced workers and industry talents may hinder the Group's business development and performance.

To retain, attract and develop high-performing staff while driving ongoing business transformation, the Group provides a harmonious work environment for its employees with competitive remuneration packages that are comparable to the market standard and structured to commensurate with individual responsibilities, qualifications, experiences and performance.

Industry Policies and Compliance Risk

The semiconductor industry is a strategic industry for national economic and social development. The Chinese Government has issued a series of policies supporting semiconductor companies in taxation, investment, financing, R&D, import and export, talents, intellectual property rights, markets application, international cooperation, etc.

Any material unfavourable changes in relevant industrial policies will affect the Group's development and competitiveness.

As the rules governing competition in China and the overall market become more stringent, the Group is subject to various compliance requirements, including anti-corruption, antitrust, anticompetitive behaviour, labour, export control, trade secret protection, and privacy. Any non-compliant action may affect the Group's brand and reputation.

ENVIRONMENTAL POLICY

The Group recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the compliance of prevailing environmental protection laws and regulations.

The Group has been accredited with ISO 14001:2015 certification, an internationally recognised standard for an environmental management system, which aims at assisting organisations on identifying, managing, monitoring and controlling their environmental issues. Please refer to the ESG Report on pages 37 to 63 of this annual report for details.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC while the Company itself is listed on the Main Board. The Group's establishment and operations accordingly shall comply with relevant laws and regulations in the PRC and Hong Kong. During the Year and up to the date of this annual report, the Group has complied with the relevant laws and regulations in the PRC and Hong Kong in all material respects.

KEY RELATIONSHIPS

Employees

The Company recognises that employees are valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

Suppliers

The Group selects suppliers based on a number of criteria including but not limited to their product quality, pricing, supply capability and business track record with the Group. The Directors take the view that due to their experience in the LED lighting industry, they strive to safeguard the safety and quality of the Group's production materials. Hence, the Directors are capable of identifying suitable suppliers based on the aforesaid criteria. The Group regularly conducts on-site inspections of the suppliers' production facilities, reviews their background information and licences, including their business licence(s) and requisite certifications. As such, the Group has compiled and maintained a list of approved suppliers. These suppliers or any one of them would be removed from the list should they fail to satisfy the Group's quality and service requirements upon periodic review by the Group's production team and quality control team.

Customers

During the Year, the Group sold LED beads directly to its customers predominantly in the Guangdong Province, which comprise manufacturers of small-sized and medium-sized backlight LED modules/panels, LCD panels and other electronics products.

The Group stays connected with its customers and has ongoing communication with the customers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

DIRECTORS

The Directors during the year under review and up to the date of this annual report were as follows:

Executive Directors
Dr. Xu Zhihong *(Chairman)*
Mr. Zhao Yi Wen
Mr. Li Yang
Mr. Leung Kin Pang *(Removed on 7 January 2025)*

Independent Non-executive Directors
Mr. Zou Haiyan
Mr. Siu Miu Man, Simon, *MH*
Ms. Liu Wanwen

Pursuant to the Company's memorandum and articles of association, Mr. Zou Haiyan and Mr. Siu Miu Man, Simon, *MH* will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' Service Contracts and Letters of Appointments

Dr. Xu Zhihong, an Executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 6 February 2023, renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of employment, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the service contract.

Mr. Zhao Yi Wen, an Executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 30 December 2016, renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of employment, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the service contract.

Mr. Li Yang, an Executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 9 February 2024, renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of employment, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the service contract.

Mr. Zou Haiyan, an Independent Non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 5 June 2023, renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of employment, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the service agreement.

Mr. Siu Miu Man, Simon, *MH*, an Independent Non-executive Director, has entered into a service agreement with the Company for an initial term of three years commencing from 5 June 2023, renewable automatically for successive terms of one year each commencing from the next day after the expiry of the then term of employment, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the service agreement.

Ms. Liu Wanwen, an Independent Non-executive Director, has entered into a letter of appointment with the Company for an initial term of one year commencing from 8 May 2024, subject to retirement by rotation and eligible for re-election pursuant to the memorandum and articles of association of the Company and the termination provisions of the letter of appointment.

Save as disclosed above, none of the Directors has or is proposed to enter into a service contract or letter of appointment with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN CONTRACTS

Save for the related party transactions disclosed in note 35 to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries, or holding company was a party and in which a Director or an entity connected with a Director had a material interests, whether directly or indirectly, subsisted during or at the end of the Year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 under the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

MANAGEMENT CONTRACTS

No management contracts concerning the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

EMOLUMENT POLICY FOR DIRECTORS

The Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group. The remunerations of the Directors are determined with reference to market terms, seniority, experiences, duties and responsibilities assumed by each Director as well as their individual performance.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined under the Listing Rules) that competes or may compete, either directly or indirectly, with the business of the Group, or of any other conflicts of interest which any such person has or may have with the Group during the Year.

SHARE OPTION SCHEME

The Company's share option scheme (the "**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 remains valid and effective following the transfer of listing of the Company's shares from the GEM to the Main Board on 13 November 2019 and is implemented in full compliance with the requirements under Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose of the Share Option Scheme

The Share Option Scheme enables the Company to grant options (the "**Options**") to any full-time or part-time employee of the Company or any member of the Group, including any Executive, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of the Company or any of its subsidiaries (the "**Eligible Persons**") as incentives or rewards for their contributions to the Group.

(2) Who may join

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (3) below. Upon acceptance of the Option, the Eligible Person shall pay HK$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than 5 trading days from the date on which the Option is granted.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the Independent Non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(3) Price of shares of the Company (the "Share(s)")

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board and notified to a participant and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

(4) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

(5) Maximum number of Shares

The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (i.e. 30 December 2016). The Company may refresh this limit at any time, subject to the shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

(6) Maximum entitlement of each Eligible Person

The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, the Company must send a circular to the shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the shareholders of the Company and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(7) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(8) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

On 17 June 2021, the Company granted a total of 34,510,000 options, with exercise price of HK$7.5 per Share, to the Directors and certain eligible employees of the Group. 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.

The total number of Shares available for issue under the Share Option Scheme is 40,000,000 Shares, representing approximately 3.4% of the total number of issued Shares (i.e. 1,173,666,981 Shares) as at the date of this annual report.

No Option was available for grant under the Share Option Scheme as at 1 January 2025, 31 December 2025 and the date of this annual report. 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 8,320,000 as at 31 December 2025, representing approximately 0.9% of the weighted average number of Shares in issue for the year ended 31 December 2025.

As at 31 December 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 Year	Exercised during the Year	Cancelled during the Year	Lapsed or forfeited during the Year	Number of Shares in relation to outstanding options as at 31 December 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	30/6/2024–30/6/2025	1.4	2,076,250	–	–	–	(2,076,250) (Note 2)	–
		28/6/2025–30/6/2026	30/6/2025–30/6/2026	1.4	2,076,250	–	–	–	(293,750) (Note 3)	1,782,500
Total					13,190,000	–	–	–	(4,870,000)	8,320,000

Notes:

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

2. Lapsed as the exercisable period has ended on 30 June 2025.

3. Lapsed upon the resignation of employees.

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

(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 93,881,848 Shares, representing approximately 8.0% of the total number of issued Shares (i.e. 1,173,666,981 Shares) as at the date of this annual 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.

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.

(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 8 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 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 RMB32.5 million during the Year.

As at 31 December 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 Awarded Shares as at 1 January 2025	Granted during the Year	Vested and Share(s) issued during the Year	Cancelled during the Year	Lapsed or forfeited during the Year	Number of adjustments on the Granted Awarded Shares as result of completion of Rights Issues (Note 6)	Number of Awarded Shares as at 31 December 2025 (Note 6)
Dr. Xu Zhihong	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025 (Note 3)	750,000	–	–	–	–	187,500	937,500
Mr. Zhao Yi Wen	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025 (Note 3)	750,000	–	–	–	–	187,500	937,500
Mr. Li Yang	Executive Director	4/12/2024	750,000	4/12/2024–3/12/2025 (Note 3)	750,000	–	–	–	–	187,500	937,500
Mr. Zou Haiyan	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025 (Note 4)	200,000	–	–	–	–	50,000	250,000
Mr. Siu Miu Man	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025 (Note 4)	200,000	–	–	–	–	50,000	250,000
Ms. Liu Wanwen	Independent non-executive Director	4/12/2024	200,000	4/12/2024–3/12/2025 (Note 4)	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	–	–	–	(1,120,000)	–	6,210,000
Other employees in aggregate	Employee Participants	4/12/2024	63,965,478	4/12/2024–3/12/2025 (Note 1 & 5)	63,965,478	–	–	–	(75,478)	15,972,500	78,300,000
Subtotal					71,295,478	–	–	–	(1,195,478)	15,972,500	84,510,000
Total					74,145,478	–	–	–	(1,195,478)	16,685,000	88,072,500

Notes:

1. Except for one employee Grantee where 50% of the Awarded Shares (i.e. 1,250,000 Awarded Shares) involved in the Award granted to him will be vested on 3 December 2025 and the remaining 50% (i.e. 1,250,000 Awarded Shares) will be vested on 3 December 2026.

2. 6,210,000 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 31 December 2025. The Awarded Shares were subsequently allotted and issued to the respective grantees on 29 January 2026.

3. 937,500 Awarded Shares were vested on 3 December 2025. These vested Awarded Shares were still in the administrative process to be allotted and issued to the respective grantees as at 31 December 2025. The Awarded Shares were subsequently allotted and issued to the respective grantees on 29 January 2026.

4. 250,000 Awarded Shares were vested on 3 December 2025. These vested Awarded Shares were still in the administrative process to be allotted and issued to the respective grantees as at 31 December 2025. The Awarded Shares were subsequently allotted and issued to the respective grantees on 29 January 2026.

5. 78,300,000 Awarded Shares were vested on 3 December 2025. These vested Awarded Shares were still in the administrative process to be allotted and issued to the respective grantees as at 31 December 2025. The Awarded Shares were subsequently allotted and issued to the respective grantees on 29 January 2026.

6. 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 share awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit as at 1 January 2025 were 960,000 and 960,000 respectively. The number of awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit amounted to 2,155,478 and 2,155,478, respectively, as at 31 December 2025.

The number of Shares that may be issued in respect of Awarded Shares under the Share Award Scheme was 89,635,000 as at 31 December 2025, representing approximately 9.7% of the weighted average number of Shares in issue for the year ended 31 December 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.

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.

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 31 December 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 3)	937,500 (L)	0.10%
Mr. Zhao Yi Wen	Beneficial owner	20,218,750 (L)	2.15%
	Beneficial owner (Note 4)	937,500 (L)	0.10%
Mr. Li Yang	Beneficial owner (Note 5)	937,500 (L)	0.10%
Mr. Zou Haiyan	Beneficial owner (Note 6)	250,000 (L)	0.03%
Mr. Siu Miu Man	Beneficial owner (Note 7)	250,000 (L)	0.03%
Ms. Liu Wanwen	Beneficial owner (Note 8)	250,000 (L)	0.03%

Notes:

1. The letter "L" denotes a long position.

2. There were 938,818,481 Shares in issue as at 31 December 2025.

3. Dr. Xu Zhihong is interested in the 937,500 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.

4. Mr. Zhao Yi Wen is interested in the 937,500 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. Li Yang is interested in the 937,500 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. Zou Haiyan is interested in the 250,000 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. Siu Miu Man is interested in the 250,000 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. Ms. Liu Wanwen is interested in the 250,000 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 31 December 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.

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

As at 31 December 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%
New Rainbow Developments Limited	Beneficial owner (Note 4)	146,745,442 (L)	15.63%
Rosyfeild Limited	Beneficial owner (Note 4)	22,918 (L)	0.002%
Wise Spring Global Limited	Beneficial owner (Note 4)	7,640 (L)	0.001%
Qin Xiaolu	Interest in a controlled corporation (Note 4)	146,745,442 (L)	15.63%
	Interest in a controlled corporation (Note 4)	22,918 (L)	0.002%
	Interest in a controlled corporation (Note 4)	7,640 (L)	0.001%
	Beneficial owner	6,485,500 (L)	0.69%
Wide Yield Investment Holding Limited	Beneficial owner (Note 5)	125,625,000 (L)	13.38%
Qin Anqi	Interest in a controlled corporation (Note 5)	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 31 December 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. As at 31 December 2025, (i) New Rainbow Developments Limited, (ii) Rosyfeild Limited and (iii) Wise Spring Global Limited may together acquire a notifiable interest in the shares of Company after a conditional sales of 8.34% equity interest in Shenzhen Jiahong Semiconductor Company Ltd is completed. Allotment and issue of an aggregate of 146,776,000 Consideration Shares in the following manner: 146,745,442 Consideration Shares to New Rainbow Developments Limited, 22,918 Consideration Shares to Rosyfeild Limited and 7,640 Consideration Shares to Wise Spring Global Limited. New Rainbow Developments Limited, Rosyfeild Limited and Wise Spring Global Limited are all companies wholly owned by Ms. Qin Xiaolu, in which Ms. Qin Xiaolu is deemed to be interested under the SFO. For more details, please refer to the Company's announcement dated 1 December 2025.

5. 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 31 December 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.

CONNECTED TRANSACTION

The following transaction constituted the connected transaction and (as the case may be) continuing connected transactions of the Company under the Listing Rules during the financial year ended 31 December 2025:

References are made to the announcements of the Company dated 1 December 2025, 22 January 2026, 29 January 2026 and 10 February 2026 (the "**Connected Transaction Announcements**") and circular of the Company dated 7 January 2026, unless otherwise stated herein, capitalised terms used below shall have the same meaning as those defined in the Connected Transaction Announcements and the circular.

On 1 December 2025, (i) the Company and New Rainbow Developments Limited, Rosyfeild Limited and Wise Spring Global Limited (the "**Vendors A**") entered into the Agreement A, pursuant to which Vendors A have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares A, representing 100% of the entire issued share capital of Join Gain HK Limited (the "**Target Company A**"), which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong, for a total consideration of HK$73,388,000 (the "**Consideration A**"); and (ii) the Company and Red Mont Global Limited (the "**Vendor B**") entered into the Agreement B, pursuant to which Vendor B has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Share B, representing 100% of the entire issued share capital of Red Mont HK Limited (the "**Target Company B**"), which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong, for a total consideration of HK$40,816,000 (the "**Consideration B**").

Consideration A shall be satisfied by the Company by way of the allotment and issue of a total of 146,776,000 Consideration Shares, credited as fully paid, to Vendors A and/or their respective nominee(s), and Consideration B shall be satisfied by the Company by way of the issue of the Promissory Note to Vendor B.

As at 1 December 2025, Ms. Qin Anqi, the daughter of Ms. Qin Xiaolu, is a substantial shareholder of the Company and is indirectly interested in 125,625,000 Shares, representing approximately 13.38% of the total issued share capital of the Company as at 1 December 2025, and Ms. Qin Xiaolu is interested in 6,485,500 Shares, representing approximately 0.69% of the total issued share capital of the Company as at 1 December 2025 and wholly owns Vendors A, which in turn in aggregate own 100% of Target Company A. Accordingly, each of Vendors A is an associate of Ms. Qin Anqi, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at 1 December 2025, Mr. Zhan Haisu is a substantial shareholder of the Company and is indirectly interested in 161,817,231 Shares, representing approximately 17.24% of the total issued share capital of the Company as at 1 December 2025 and wholly owns Vendor B, which in turn owns 100% of Target Company B. Accordingly, Vendor B is an associate of Mr. Zhan Haisu and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

On 29 January 2026, all conditions precedent set out in Agreement A have been fulfilled and that Completion A took place. Upon Completion A taking place, the Company owns the entire issued share capital of Target Company A which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong. As such, the financial results of the Target Company A will be consolidated into the financial statements of the Company and Shenzhen Jiahong is owned by the Group, the Employee Shareholding Platform, Target Company B, THJY Investment and Orchid Enterprises as to approximately 68.64%, 19.49%, 4.64%, 5.10% and 2.13%, respectively, and accordingly, Shenzhen Jiahong remains an indirect non wholly-owned subsidiary of the Company.

To fulfill the Consideration A according to Agreement A, the Company has allotted and issued 146,776,000 Consideration Shares at the issue price of HK$0.50 per Consideration Share to Vendor A1 (as directed by Vendors A).

On 10 February 2026, all conditions precedent set out in Agreement B have been fulfilled and that Completion B took place. Upon Completion B taking place, the Company owns the entire issued share capital of Target Company B which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong. As such, the financial results of the Target Company B will be consolidated into the financial statements of the Company and Shenzhen Jiahong is owned by the Group, the Employee Shareholding Platform, THJY Investment and Orchid Enterprises as to approximately 73.28%, 19.49%, 5.10% and 2.13%, respectively, and accordingly, Shenzhen Jiahong remains an indirect non wholly-owned subsidiary of the Company.

To fulfill the Consideration B according to Agreement B, the Company issued the Promissory Note, being the interest-bearing promissory note in the amount of HK$40,816,000, to Vendor B on 10 February 2026.

EXEMPTED CONTINUING CONNECTED TRANSACTION

During the Year, the Group has entered into certain transactions with "related parties" as defined under the applicable accounting standards and the details of the material related party transactions (the "**Transactions**") are disclosed in note 35 to the consolidated financial statements of this annual report.

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

The Directors (including the Independent Non-executive Directors) confirmed that the Transactions have been entered into in the ordinary and usual course of business of the Group and have been based on arm's length negotiations and on normal commercial terms and are according to the agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditors of the Company have advised nothing has come to their attention that causes them to believe that the Transactions: (1) had not been approved by the Company's Board of Directors; (2) were not, in all material respects, in accordance with the pricing policies of the Group for the Transactions involving the provision of goods or services by the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the Transactions; and (4) have exceeded the relevant cap amounts, where applicable, during the financial year ended 31 December 2025.

CORPORATE GOVERNANCE

Details of the corporate governance practice adopted by the Company are set out on pages 21 to 36 of this annual report.

AUDIT COMMITTEE

The audited financial statements of the Group for the Year have been reviewed by the audit committee. The audit committee is of the opinion that the financial statements of the Group for the Year comply with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

AUDITOR

The appointment of Rongcheng (Hong Kong) CPA Limited (formerly named CL Partners CPA Limited), Certified Public Accountants was approved at the extraordinary general meeting of the Company held on 31 July 2025, following the retirement of BDO Limited, Certified Public Accountants at the annual general meeting of the Company held on 28 May 2025 without seeking to be re-appointed at the annual general meeting.

The consolidated financial statements for the Year have been audited by Rongcheng (Hong Kong) CPA Limited, who will retire, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Rongcheng (Hong Kong) CPA Limited as auditor of the Company.

By order of the Board
HG Semiconductor Limited
Dr. Xu Zhihong
Chairman and Executive Director

Hong Kong, 31 March 2026

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TO THE SHAREHOLDERS OF HG SEMICONDUCTOR LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of HG Semiconductor Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 90 to 153 which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), as applicable to audits of financial statements of public interest entities, we have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Loss allowance for expected credit loss ("ECL") on trade and bills receivables

Refer to Note 19 and 38 to the consolidated financial statements and the accounting policies on Note 4(d)(ii).

As at 31 December 2025, the carrying value of trade and bills receivables (net of loss allowances) were approximately RMB62,600,000. Impairment losses of approximately RMB6,020,000 on trade and receivables have been recognised during the year.

Management engaged an external valuation firm to assess the provision for ECL of trade and bills receivables based on probability weighted estimate of credit losses over the expected life of these receivables and whether there are any events or changes in circumstances indicating a detrimental impact on the estimated future cash flows of these balances.

We identified loss allowance for ECL on trade and bills receivables as a key audit matter because of their significance to the consolidated financial statements and the assessment of ECL for trade and bills receivables requires the use of management's judgement and estimates.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the allowance for ECL on trade and bills receivables included, but not limited to:

- understanding the policies of the Group's allowance for ECL on trade and bills receivables and the method adopted by the management for assessing the amount of ECL;
- evaluating the competence, capabilities, and objectivity of the external valuation firm engaged by the Group and internal valuation expert;
- assessing management's judgement made in relation to the ECL and creditworthiness of the debtors by assessing the available information, such as background information of the debtors, past collection history of debtors, the Group's actual loss experience, forward-looking information and subsequent settlement of the trade and bills receivables;
- testing the aging of trade and bills receivables at the end of the reporting period on a sampling basis;
- reviewing the adequacy of disclosures of ECL on trade and bills receivables with reference to the requirement of prevailing accounting standards; and
- assessing the reasonableness of ECL by testing the calculation of historical default rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic condition that applied in the provision matrix, with the assistance of internal valuation expert.

2. Fair value measurement of unlisted equity investments

Refer to Note 17 and 37(b) to the consolidated financial statements and the accounting policies on Note 4(d)(i).

The Group held unlisted equity investments as at 31 December 2025, the fair value of which was estimated by management to be approximately RMB129,100,000. Such unlisted equity investments were classified as a financial asset at fair value through other comprehensive income.

Management engaged an external valuation firm to assess the fair value of the above unlisted equity investment as at 31 December 2025. The fair value of the unlisted equity investment was determined based on a number of valuation techniques and unobservable inputs, the selection of which requires the exercise of significant judgement.

We identified fair value measurement of unlisted equity investments as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the determination of fair value, and the carrying amount and fair value change during the year of such investment are significant to the Group's consolidated financial statements.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the fair value measurement of unlisted equity investments included, but not limited to:

- obtained an understanding of the management's assessment process of the fair value measurement and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- evaluated the reasonableness of selection of valuation techniques, as well as those key assumptions and data used in the fair value determination of the investment, with the assistance of internal valuation expert;
- evaluated the reasonableness of disclosures related to the fair value measurement of the unlisted equity investment with references to the requirement of prevailing accounting standards; and
- evaluating the competence, capabilities, and objectivity of the external valuation firm engaged by the Group and internal valuation expert.

3. Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets

Refer to Note 15 and 16 to the consolidated financial statements and the accounting policies on Note 4(h).

As of 31 December 2025, the Group has property, plant and equipment of approximately RMB191,450,000, right-of-use assets of approximately RMB2,920,000 and intangible assets of approximately RMB238,000.

The Group engaged an external valuation firm to perform the impairment assessments of property, plant and equipment, right-of-use assets and intangible assets by comparing the carrying values of cash generating units ("CGU"s) to which property, plant and equipment, right-of-use assets and intangible assets were allocated to, with their respective recoverable amounts using discounted cash flow method.

The preparation of discounted cash flow forecasts for the purpose of assessing recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets involves significant estimation, including forecast sales growth rates, forecast profit margins and discount rates applied.

We identified the assessment of potential impairment of property, plant and equipment, right-of-use assets and intangible assets as a key audit matter because the balances of property, plant and equipment, right-of-use assets and intangible assets as of 31 December 2025 are material to the consolidated financial statements and the Group's impairment assessment involves significant judgements and estimation.

How our audit addressed the Key Audit Matter

Our audit procedures in relation to the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets included, but not limited to:

- evaluating the reasonableness of management's identification of CGUs and the allocation of property, plant and equipment, right-of-use assets and intangible assets to each CGU with reference to the requirements of prevailing accounting standards;
- evaluating the appropriateness of the methodology adopted by management in its impairment assessments;
- assessing and challenging with the assistance of our internal valuation expert, the reasonableness of the key assumptions adopted including discount rates, forecast sales growth rate and forecast gross profit margins;
- performing sensitivity analyses on forecast sales growth rates, forecast gross profit margins and discount rates, and considering the resulting impact of changes in the key assumptions and whether there were any indicators of management bias;
- evaluating the competence, capabilities, and objectivity of the external valuation firm engaged by the Group and internal valuation expert; and
- considering the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of prevailing accounting standards.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 28 March 2025.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors of the Company in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
Leung Man Kit
Practising Certificate Number: P08413

Hong Kong, 31 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Revenue	7	**97,759**	75,282
Cost of sales		**(93,347)**	(67,491)
Gross profit		**4,412**	7,791
Other income, gains and losses, net	7	**(1,672)**	7,577
Selling and distribution expenses		**(2,879)**	(3,441)
Administrative and other expenses		**(111,875)**	(114,399)
Impairment loss recognised on trade and bills receivables and other receivable	38	**(17,020)**	(42,918)
Impairment loss recognised on property, plant and equipment	15	**(3,876)**	(11,466)
Impairment loss recognised on intangible assets	16	**—**	(3,981)
Impairment loss recognised on assets classified as held for sale	31	**—**	(16,552)
Finance costs	9	**(1,097)**	(1,088)
Loss before income tax	8	**(134,007)**	(178,477)
Income tax expense	12	**(9)**	(4,599)
Loss for the year		**(134,016)**	(183,076)
Other comprehensive (expense) income			
Item that may be reclassified to profit or loss:			
Exchange difference on translation of financial statements of oversea subsidiaries		**(10,124)**	10,177
Item that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI")		**(46,035)**	(32,664)
Tax related to items that will not be reclassified		**—**	2,308
Total comprehensive expense for the year		**(190,175)**	(203,255)
Loss for the year attributable to:			
Owners of the Company		**(112,892)**	(156,819)
Non-controlling interests		**(21,124)**	(26,257)
		(134,016)	(183,076)
Total comprehensive expense attributable to:			
Owners of the Company		**(169,051)**	(173,748)
Non-controlling interests		**(21,124)**	(29,507)
		(190,175)	(203,255)
			(restated)
Loss per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	13	**(12.21)**	(19.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**194,370**	189,979
Intangible assets	16	**238**	448
Financial assets at FVTOCI	17	**129,100**	181,926
Prepayments and deposits	20	**—**	1,411
Deferred tax assets	25	**4,177**	4,186
		327,885	377,950
Current assets			
Inventories	18	**61,454**	59,018
Trade and bills receivables	19	**62,600**	67,242
Prepayments, deposits and other receivables	20	**58,060**	81,994
Financial assets at fair value through profit or loss ("FVTPL")	17	**33,460**	34,631
Cash and cash equivalents	21	**14,617**	8,779
		230,191	251,664
Current liabilities			
Trade payables	22	**15,158**	19,347
Other payables and accruals	23	**21,607**	15,824
Bank borrowings	24	**10,000**	10,000
Lease liabilities	28	**2,214**	3,036
		48,979	48,207
Net current assets		**181,212**	203,457
Total assets less current liabilities		**509,097**	581,407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Lease liabilities	28	**4,336**	3,618
		4,336	3,618
Net assets		**504,761**	577,789
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**8,419**	6,664
Reserves	27	**481,603**	534,173
		490,022	540,837
Non-controlling interests		**14,739**	36,952
Total equity		**504,761**	577,789

The consolidated financial statements on pages 90 to 153 were approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Xu Zhihong
Director

Li Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Equity attributable to owners of the Company											
	Share capital RMB'000 (Note 26)	Share premium RMB'000 (Note 27(a))	Share Option/ Share awards reserve RMB'000 (Note 27(f))	Statutory reserve RMB'000 (Note 27(b))	Other reserve RMB'000 (Note 27(c))	Capital reserve RMB'000 (Note 27(d))	Investment revaluation reserve RMB'000 (Note 27(h))	Exchange reserve RMB'000 (Note 27(e))	Accumulated losses RMB'000 (Note 27(g))	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2024 and 1 January 2025	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 year	–	–	–	–	–	–	–	–	(112,892)	(112,892)	(21,124)	(134,016)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	(10,124)	–	(10,124)	–	(10,124)
Change in fair value of financial assets at FVTOCI	–	–	–	–	–	–	(46,035)	–	–	(46,035)	–	(46,035)
Total comprehensive expense for the year	–	–	–	–	–	–	(46,035)	(10,124)	(112,892)	(169,051)	(21,124)	(190,175)
Issue of shares by way of rights issue (Note 26)	1,755	82,273	–	–	–	–	–	–	–	84,028	–	84,028
Forfeit of share options (Note 29)	–	–	(110)	–	–	–	–	–	110	–	–	–
Lapse of share options	–	–	(1,324)	–	–	–	–	–	1,324	–	–	–
Recognition of equity-settled share-based payment expenses (Note 29(a), (b) and (c))	–	–	33,119	–	–	–	–	–	–	33,119	–	33,119
Equity transaction with non-controlling interests	–	–	–	–	–	–	–	–	1,089	1,089	(1,089)	–
At 31 December 2025	8,419	1,149,417	50,380	15,498	580	35,972	(36,465)	(9,035)	(724,744)	490,022	14,739	504,761
At 31 December 2023 and 1 January 2024	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 year	–	–	–	–	–	–	–	–	(156,819)	(156,819)	(26,257)	(183,076)
Exchange differences on translating foreign operations	–	–	–	–	–	–	–	10,177	–	10,177	–	10,177
Disposal of financial asset at FVTOCI	–	–	–	–	–	–	(5,126)	—	5,126	—	–	—
Change in fair value of financial assets at FVTOCI	–	–	–	–	–	–	(28,513)	–	–	(28,513)	(4,151)	(32,664)
Tax related to items that will not be reclassified	–	–	–	–	–	–	1,407	–	–	1,407	901	2,308
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(32,232)	10,177	(151,693)	(173,748)	(29,507)	(203,255)
Forfeit of share options (Note 29)	–	–	(19,410)	–	–	–	–	–	19,410	–	–	–
Lapse of share options	–	–	(19,116)	–	–	–	–	–	19,116	–	–	–
Recognition of equity-settled share-based payment expenses (Note 29(a), (b) and (c))	–	–	35,325	–	–	–	–	–	(4,470)	30,855	29,579	60,434
Vesting of shares of share incentive scheme (Note)	–	–	(25,280)	–	–	–	–	–	25,280	–	–	–
At 31 December 2024	6,664	1,067,144	18,695	15,498	580	35,972	9,570	1,089	(614,375)	540,837	36,952	577,789

Note: The vesting of shares of share incentive scheme related to the equity interest of the subsidiary of the Group under the employee share incentive scheme. Refer to note 29(c) for details.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from operating activities			
Loss before income tax		**(134,007)**	(178,477)
Adjustments for:			
Depreciation of property, plant and equipment	8, 15	**22,356**	15,498
Amortisation of intangible assets	8, 16	**210**	1,160
Interest income	7	**(60)**	(45)
Finance costs	9	**1,097**	1,088
Impairment loss recognised on trade and bills receivables and other receivables	38	**17,020**	42,918
Loss (gain) on disposal of property, plant and equipment	8	**2,839**	(495)
Impairment loss recognised on property, plant and equipment	15	**3,876**	11,466
Impairment loss recognised on intangible assets	16	**—**	3,981
Impairment loss recognised on assets classified as held for sale	31	**—**	16,552
Reversal of write down on inventories	8	**(36)**	(162)
Change in fair value of financial assets at FVTPL	37(b)	**(348)**	785
Share-based payment	8, 29	**33,119**	35,325
Operating loss before working capital changes		**(53,934)**	(50,406)
Increase in inventories		**(2,400)**	(10,068)
Decrease (increase) in trade and bills receivables		**14,514**	(7,467)
Decrease (increase) in prepayments, deposits and other receivables		**11,617**	(10,553)
Increase in trade payables, other payables and accruals		**1,262**	8,898
Cash used in operations		**(28,941)**	(69,596)
Income tax paid		**—**	(71)
Net cash flows used in operating activities		**(28,941)**	(69,667)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(44,878)**	(13,214)
Proceed from disposal of property, plant and equipment		**—**	3,513
Acquisition of intangible assets		**—**	(387)
Proceed from disposal of financial asset at FVTOCI		**—**	17,608
Interest received		**60**	45
Net cash flows (used in) generated from investing activities		**(44,818)**	7,565

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
Cash flows from financing activities			
Interest paid	9	**(1,097)**	(1,088)
Repayments of bank borrowings	36(b)	**(14,000)**	(10,000)
Proceeds from bank borrowings	36(b)	**14,000**	10,000
Repayments of principal portion of the lease liabilities	36(b)	**(3,209)**	(2,549)
Proceed from disposal of interest in a subsidiary to non-controlling interests without loss of control		**—**	25,109
Net proceeds from rights issue		**84,028**	—
Net cash flows generated from financing activities		**79,722**	21,472
Net increase (decrease) in cash and cash equivalents		**5,963**	(40,630)
Effect of exchange rate changes on cash and cash equivalents		**(125)**	122
Cash and cash equivalents as at the beginning of the year		**8,779**	49,287
Cash and cash equivalents as at the end of the year		**14,617**	8,779

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL AND CORPORATE INFORMATION

HG Semiconductor Limited (the "Company") was incorporated with limited liability in the Cayman Islands. The shares of the Company (the "Shares") are listed on the Main Board of the The Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code "6908".

The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. 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 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 PRC.

In the opinion of the directors of the Company, as at 31 December 2025, the Company's ultimate parents are Jovial Star International Limited, a company incorporated in the British Virgin Islands (the "BVI") and Wide Yield Investment Holding Limited, a company incorporated in the BVI.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

(a) Amendments to an HKFRS Accounting Standards — effective 1 January 2025

In the current year, the Group has applied the following amendments to an HKFRS Accounting Standard as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the consolidated financial statements:

Amendments to HKAS 21	Lack of Exchangeability

The application of the amendments to an HKFRS Accounting Standard in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume II[1]
HKFRS 18	Presentation and Disclosure in Financial Statements[2]
Hong Kong Interpretation 5	Amendments to Hong Kong Interpretation[2]
	Presentation of Financial Statements — Classification by the borrower of a Term Loan that contains a Repayment on Demand clause[3]

[1] Effective for annual periods beginning on or after 1 January 2026.
[2] Effective for annual periods beginning on or after 1 January 2027.
[3] Effective for annual periods beginning on or after a date to be determined.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

(b) New and amendments to HKFRS Accounting Standards in issue but not yet effective (Continued)

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 Presentation of Financial Statements. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the title of which will be changed to "Basis of Preparation of Financial Statements" upon effective of HKFRS 18) and HKFRS 7. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss. Additional disclosures required for the Group's MPMs will be disclosed in a separate note to the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRS Accounting Standards, which includes all Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and HK(IFRIC) Interpretations, HK Interpretations and HK(SIC) Interpretations (collectively referred to as "Interpretations"), as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for the financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are measured at fair value as explained in the accounting policies below.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

(d) Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of property, plant and equipment includes its purchase price and the cost directly attributable to the acquisition of the items.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Property	Over the remaining life of the lease
Machinery and equipment	3–10 years, over the commencement date of the lease term to the end of the useful life
Motor vehicles	5 years
Furniture, fixtures and office equipment	2–5 years
Leasehold improvement	10 years, over the shorter of lease term or useful life

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Construction in progress represents buildings, plants and machinery on which construction work has not been completed which, upon completion, management intends to hold for production purposes. Construction in progress is carried out at cost which include development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use. On completion, construction in progress is transferred to other property, plant and equipment at cost less accumulated impairment losses.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(c) Intangible assets

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of sales. Amortisation is provided on a straight-line basis over their useful lives as follows:

Technology know-how	Useful life of 16 years
Patent sublicense	Useful life of 8 years
Computer Software	Useful life of 3 to 5 years

(ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (Note 4(j)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(d) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Debt instruments

The Group's investments in debt instruments are categories as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on trade receivables and financial assets (debt instruments) measured at amortised cost and FVTOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and bills receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is long overdue with occasional sales and non-response to collection activities.

The Group considers a financial asset to be in default when: (1) there is a breach of financial covenants by the counterparty; (2) the exposure is past due for more than 90 days; or (3) the debtor is unlikely to pay in full for the credit obligations to the Group.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables, bank borrowings and lease liabilities, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

(v) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(e) Inventories

Inventories are initially recognised at cost, and subsequently valued at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(f) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue is recognised at a point in time when the customer obtains control of the goods or service.

Sales of goods

Customers obtain control of the LED beads, GaN and other semiconductor products when the goods are delivered to and have been accepted by customers. Revenue is thus recognised at a particular point in time upon when the customers accepted the LED beads, GaN and other semiconductor products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days, extending up to 120 days for major customers.

No element of financing is deemed present as the revenue are generally made with a credit term from 30 to 90 days, extending up to 120 days for major customers, which is consistent with market practice.

(g) Leasing

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Leasing (Continued)

Right-of-use asset

The right-of-use asset is recognised at cost and comprises: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

(h) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment and right-of-use asset; and
- Intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(i) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(j) Income tax expense

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(l) Share-based payments

(a) Share Option Scheme

Where share options are granted to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of option that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

(b) Share Award Scheme and Employee Share Incentive Scheme

The fair value of share units granted to employees under the Share Award Scheme and Employee Share Incentive Scheme is recognised as an expense over the vesting period. The fair value is measured at the grant date of the shares and is recognised in equity in the share-awards reserve.

Where shares are forfeited prior to the vesting date, any expenses previously recognised in relation to such shares are reversed on the effective date of the forfeiture. No further adjustments should be made after the vesting date, regardless of whether the shares are forfeited later.

The Employee Share Incentive Scheme is administered by the Employee Shareholding Platform. When the shares of a subsidiary of the Company are granted at a discount to their fair value without any vesting condition, the partnership interest in the Employee Shareholding Platform transfers the appropriate number of shares to employees. The Group recognise an expense for the difference between the fair value of shares granted and consideration received.

(m) Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible asset is no longer amortised.

Where non-current asset ceases to be classified as held for sale shall measure at the lower of (a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and (b) its recoverable amount at the date of the asset ceases to be classified as held for sale. The gains or losses arise from adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale are recognised in profit or loss.

The impairment loss of the non-current assets held for sale at the date of ceases to be classified as held for sale is RMB16,552,000. For the detail of the impairment assessment of the non-current assets held for sale are set out in Note 31.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgments in applying accounting policies

(i) Judgements in determining if entities are accounted for as FVTOCI

The Group has an investment in unlisted preferred share of a Company in Israel (the "Israel Company"), in which it holds 17.4% (FY2024: 17.4%) of their non-redeemable equity interests or voting right of the entire equity of the Israel Company. According to the management of the Group, the investment in the Israel Company is solely for the investment purpose. The Group shall appoint only one director to the board of the Israel Company which consists of 5 directors. On 23 August 2021 (the acquisition date of the investment in the Israel Company), the Group entered an agreement with the founders of the Israel Company (the "Founders") pursuant to which the director will cast his vote based on the instructions given by the Founders in all board of directors meetings of the Israel Company. Any modification of the surrender agreement needs to agree by both the Founders and the Group. In substance, it is considered that the Group surrendered its significant rights as board representation as the Group no longer has the power to participate in the financial and operating policy-making decisions. The directors of the Company consider that the Group has no significant influence, joint control nor control over the entities based on the fact that the Group does not participate in any operating and financial policies of the entities and exercise its influence on the operating and financial policies in the board of directors of the entities. The investment in the Israel Company is not held for trade. On initial recognition, the Company has elected to designate the investment as FVTOCI and to present in other OCI changes in the fair value of the investment in Israel Company. The Group therefore accounted for this investment as financial assets at FVTOCI. For detail of the financial asset at FVTOCI are set out in Note 17.

(b) Key Sources of estimation uncertainty

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. The net carrying amount of inventory was approximately RMB61,454,000 (2024: RMB59,018,000). The reversal of write down on inventories amount to approximately RMB36,000 for the year ended 31 December 2025 (2024: RMB162,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key Sources of estimation uncertainty (Continued)

(ii) Impairment of trade and bills receivables

The Group makes allowances for receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates as at year ended date. The net carrying amount of trade and bills receivables was approximately RMB62,600,000 (2024: RMB67,242,000) and the impairment loss recognised on trade and bill receivables was approximately RMB6,020,000 (2024: RMB8,918,000). For the detail credit policy and credit risk arising from trade and other receivables are set out in Note 38.

The Group's management reassesses the impairment of receivables as at the year ended date. Where the expectation is different from the original estimate, such differences will affect the carrying value of receivables and thus the impairment loss in the year in which such estimate is changed.

(iii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than level 1 inputs; and
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group measures a number of items at fair value:

- Financial instruments at FVTOCI; and
- Financial instruments at FVTPL.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key Sources of estimation uncertainty (Continued)

(iv) Useful life of the property, plant and equipment and intangible assets

The Group's management determines the useful live of its property, plant and equipment based on the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm as at the reporting date.

The Group's management determines the useful lives of its intangible assets. This estimate is based on the historical experience and market research of the product life cycle of similar nature and functions and may vary significantly as a result of keen competitions from competitors, resulting in higher amortisation charge when useful lives are less than previously estimated. The independent industry expert was engaged by the Group to assess the useful life of technology know-how. The amortisation was commenced in December 2022. During the year ended 31 December 2023, the technology know-how have been classified to assets classified held for sale. The technology know-how have been fully impaired since 2024. Refer Note 31 for detail.

(v) Impairment assessment of non-financial asset (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Share-based payments

Estimating the fair value for share-based payment transactions requires determination of an appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including volatility, the expected exercise behaviour and dividend yield, etc, and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 29.

6. 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 is principally engaged in design, development, manufacturing, subcontracting and sales of semiconductor products, including LED beads, GaN chips, GaN device related application products in the PRC. The executive Directors 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:

	2025			2024		
	LED products RMB'000	**GaN and other semiconductor products RMB'000**	**Total RMB'000**	LED products RMB'000	GaN and other semiconductor products RMB'000	Total RMB'000
Segment revenue	**68,167**	**29,592**	**97,759**	73,922	1,360	75,282
Segment result	**(20,243)**	**(64,706)**	**(84,949)**	(34,335)	(114,669)	(149,004)
Other unallocated						
Other income and gains			**4**			33
Administrative expenses			**(49,056)**			(29,491)
Finance costs			**(6)**			(15)
Loss before income tax			**(134,007)**			(178,477)

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2025			2024		
	LED products RMB'000	GaN and other semiconductor products RMB'000	Total RMB'000	LED products RMB'000	GaN and other semiconductor products RMB'000	Total RMB'000
Segment assets	**145,027**	**406,513**	**551,540**	159,494	464,347	623,841
Corporate and other unallocated assets (Note)			**6,536**			5,773
Total assets			**558,076**			629,614
Segment liabilities	**(31,479)**	**(15,087)**	**(46,566)**	(31,211)	(13,108)	(44,319)
Corporate and other unallocated liabilities (Note)			**(6,749)**			(7,506)
Total liabilities			**(53,315)**			(51,825)
Other segment information:						
Depreciation charge						
— Owned property, plant and equipment	**(3,882)**	**(15,496)**	**(19,378)**	(4,152)	(8,948)	(13,100)
— Right-of-use-assets	**(237)**	**(1,334)**	**(1,571)**	(246)	(1,334)	(1,580)
Amortisation of intangible assets	**—**	**(210)**	**(210)**	(1,022)	(138)	(1,160)
Impairment loss recognised on trade and bills receivables and other receivables	**(6,020)**	**(11,000)**	**(17,020)**	(8,918)	(34,000)	(42,918)
Reversal of write down on inventories	**—**	**36**	**36**	—	162	162
Impairment loss recognised on property, plant and equipment	**(3,876)**	**—**	**(3,876)**	(11,466)	—	(11,466)
Impairment loss recognised on intangible assets	**—**	**—**	**—**	(3,981)	—	(3,981)
Impairment loss recognised on assets classified as held for sale	**—**	**—**	**—**	—	(16,552)	(16,552)
Fair value gain (loss) on financial asset at FVTPL	**—**	**348**	**348**	—	(785)	(785)

Note: Corporate and other unallocated assets mainly include property, plant and equipment in head office, deferred tax assets, prepayment in head office, deposit and other receivable, cash and cash equivalents in head office and corporate and other unallocated liabilities mainly include lease liabilities in head office, and other payables and accruals in head office.

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

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Revenue from customers of the Group's LED products segment who contributed over 10% of the Group's revenue for the corresponding years are as follows:

	2025 RMB'000	2024 RMB'000
Client A	12,589	19,704
Client B	N/A*	10,341
Client C	N/A*	8,669

* Revenue did not contribute over 10% of the Group's revenue for the corresponding years.

7. REVENUE, OTHER INCOME, GAINS AND LOSSES, NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods and services sold, less value added tax and other applicable local taxes during the year. The Group is principally engaged in the design, development, manufacturing and sales of semiconductor products, including LED beads, GaN chips and 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 years ended 31 December 2025 and 2024, there were no rebate, discount, warranties and return on revenue.

	2025 RMB'000	2024 RMB'000
LED products		
Revenue recognised at a particular point in time		
Sales of LED beads	68,167	73,922
Sales of GaN and fast-charging products	29,592	1,360
	97,759	75,282
Other income, gains and losses, net		
Bank interest income	60	45
Government grants (Note)	—	4,614
(Loss) gain on disposal of property, plant and equipment	(2,839)	495
Net exchange gain (loss)	271	(545)
Other income	836	2,968
	(1,672)	7,577

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.

8. LOSS BEFORE INCOME TAX

The Group's loss before income tax credit is arrived at after crediting:

	2025 RMB'000	2024 RMB'000
Cost of inventories sold	**74,616**	53,429
Depreciation charge (Note 15):		
— Owned property, plant and equipment	**19,378**	13,100
— Right-of-use-assets included in property, plant and equipment	**2,978**	2,398
Amortisation of intangible assets, included in cost of sales (Note 16)	**210**	1,160
Reversal of write down on inventories	**36**	162
Auditor's remuneration	**645**	1,290
Fair value gain (loss) of financial assets at FVTPL	**348**	(785)
Research and development costs, included in administrative and other expenses	**37,936**	23,961
Employee costs (including Directors' remuneration)		
— Wages, salaries and other benefits	**17,036**	21,574
— Contribution to defined contribution pension plans	**1,779**	2,497
— Share-based payment (Note 29)	**33,119**	35,325

9. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on borrowings	**480**	348
Interest on lease liabilities	**617**	740
	1,097	1,088

10. DIRECTORS' REMUNERATION

Directors' emoluments are disclosed as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to defined contribution pension plans RMB'000	Share-based payment (Note vi) RMB'000	Total RMB'000
Year ended 31 December 2025					
Executive Directors (Note vii):					
Mr. Zhao Yi Wen	332	65	13	396	806
Dr. Xu Zhihong	1,843	922	17	396	3,178
Mr. Leung Kin Pang (Note v)	—	—	—	—	—
Mr. Li Yang (Note i)	1,106	—	17	396	1,519
Independence Non-executive Directors (Note ix):					
Mr. Siu Miu Man, Simon	144	—	—	106	250
Mr. Zou Haiyan	144	—	—	106	250
Ms. Liu Wanwen (Note ii)	144	—	—	106	250
Total	3,713	987	47	1,506	6,253

10. DIRECTORS' REMUNERATION (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to defined contribution pension plans RMB'000	Share-based payment (Note vi) RMB'000	Total RMB'000
Year ended 31 December 2024					
Executive Directors (Note vii):					
Mr. Zhao Yi Wen	332	90	—	32	454
Dr. Xu Zhihong	—	2,672	17	32	2,721
Mr. Lu Kailin (Note iv)	—	1,043	17	32	1,092
Mr. Leung Kin Pang (Note v)	—	69	17	—	86
Mr. Li Yang (Note i)	12	991	11	32	1,046
Non-executive Director (Note viii):					
Dr. Wang David Nin-kou (Note iii)	340	—	—	1,327	1,667
Independence Non-executive Directors (Note ix):					
Mr. Siu Miu Man, Simon	144	—	—	8	152
Mr. Zou Haiyan	144	—	—	8	152
Ms. Liu Wanwen (Note ii)	93	—	—	8	101
Total	1,065	4,865	62	1,479	7,471

Notes:

(i) On 9 February 2024, Mr. Li Yang was re-designed as an executive director of the Company.

(ii) On 8 May 2024, Ms. Liu Wanwen was appointed as an independent non-executive director of the Company.

(iii) On 17 June 2024, Dr. Wang David Nin-kou ceased as an non-executive director of the Company.

(iv) On 11 December 2024, Mr. Lu Kailin was resigned as an executive director of the Company.

(v) On 7 January 2025, Mr. Leung Kin Pang was removed as an executive director of the Company.

(vi) The Company recognises share-based payment for the services rendered during the vesting period under the share options scheme and share award scheme according to Note 4(l).

(vii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(viii) The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

(ix) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group for the year included 1 (2024: 2) directors whose emoluments are reflected in the disclosures in Note 10. The emoluments of the remaining 4 (2024: 3) highest paid individuals for the year are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, allowances and benefits in kind	7,651	6,213
Contribution to defined contribution pension plans	17	17
Share-based payment (Note 29) (Note)	—	3,338
	7,668	9,568

Their remuneration fell within the following bands:

	2025 No. of individuals	2024 No. of individuals
HK$1,000,001 to HK$1,500,000	2	1
HK$2,000,001 to HK$2,500,000	1	—
HK$2,500,001 to HK$3,000,000	—	1
HK$3,000,001 to HK$3,500,000	1	—
HK$6,000,001 to HK$6,500,000	—	1

During the years ended 31 December 2025 and 2024, no director or any of the highest-paid individuals waived or agreed to waive any emoluments. No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Note: The Company recognises share-based payment for the services rendered during the vesting period under the share options scheme and share award scheme according to Note 4(l).

12. 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 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 years ended 31 December 2025 and 2024. For the year ended 31 December 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 year (2024: Nil).

	2025 RMB'000	2024 RMB'000
Current income tax — HK		
— Tax for the year	—	46
Deferred tax (Note 25)	9	4,553
	9	4,599

A reconciliation of the income tax expense applicable to loss before income tax expense using the statutory enterprise income tax rate in the PRC to the tax credit at the effective tax rates is as follows:

	2025 RMB'000	2024 RMB'000
Loss before income tax	(134,007)	(178,477)
At the PRC's statutory enterprise income tax rate of 25% (2024: 25%)	(33,502)	(44,619)
Effect of different tax rates of subsidiaries operating in other jurisdiction	4,432	4,291
Effect of non-deductible expenses	8,395	14,174
Effect of non-taxable income	(775)	(1,154)
Tax loss not recognised	21,459	31,907
Income tax expense	9	4,599

13. LOSS PER SHARE

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

	2025 RMB'000	2024 RMB'000
Loss		
Loss for the year attributable to owners of the Company	**(112,892)**	(156,819)

	2025	2024 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**924,543,296**	800,181,999
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes (Note (ii))	**—**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**924,543,296**	800,181,999

Notes:

(i) Basic loss per share is calculated by dividing loss for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue of the Company during the year.

The weighted average number of ordinary shares for the years ended 31 December 2025 and 2024 for the purposes of calculating the basic earnings per share, had adjusted to account for the effect of the bonus element of the rights issue of the Company (Note 26) which was completed on 7 February 2025.

(ii) For the years ended 31 December 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.

14. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2025 and 2024.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Property (Note) RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
At 1 January 2024	111,171	10,610	104,619	640	4,425	200	231,665
Additions	14,120	2,498	12,248	654	122	1,162	30,804
Disposals	—	—	(5,109)	—	(11)	—	(5,120)
Transfer	(56,295)	—	54,300	—	—	1,995	—
Exchange adjustment	—	71	—	—	1	—	72
At 31 December 2024 and 1 January 2025	68,996	13,179	166,058	1,294	4,537	3,357	257,421
Additions	45,977	3,159	246	—	66	—	49,448
Disposals	—	—	(26,190)	—	(6)	—	(26,196)
Transfer	(61,893)	—	9,838	—	86	51,969	—
Exchange adjustment	—	(137)	—	—	—	—	(137)
At 31 December 2025	53,080	16,201	149,952	1,294	4,683	55,326	280,536
Accumulated depreciation and impairment							
At 1 January 2024	—	4,944	34,490	308	2,663	150	42,555
Depreciation charge for the year	—	2,398	11,512	20	828	740	15,498
Disposals	—	—	(2,098)	—	(4)	—	(2,102)
Impairment (Note 16)	—	61	10,139	183	—	1,083	11,466
Exchange adjustment	—	22	—	—	3	—	25
At 31 December 2024 and 1 January 2025	—	7,425	54,043	511	3,490	1,973	67,442
Depreciation charge for the year	—	2,976	12,766	306	845	5,463	22,356
Disposals	—	—	(7,459)	—	(6)	—	(7,465)
Impairment (Note 16)	—	2,922	486	447	21	—	3,876
Exchange adjustment	—	(42)	—	—	(1)	—	(43)
At 31 December 2025	—	13,281	59,836	1,264	4,349	7,436	86,166
Net book value							
At 31 December 2025	53,080	2,920	90,116	30	334	47,890	194,370
At 31 December 2024	68,996	5,754	112,015	783	1,047	1,384	189,979

Note:

As at 31 December 2025, the carrying amount of the Group's property, mainly representing the lease of Xuzhou plant, is right-of-use asset. The property includes an amount of approximately RMB61,000 (2024: approximately RMB61,000) leased from 珠海經濟特區利佳電子發展有限公司, a related party of the Group which is beneficially owned by the shareholder of the Company, Mr. Zhao Yi Wen, who is also director of the Company, with lease term of 10 years from 1 April 2025 to 31 March 2035 (2024: 1 April 2015 to 31 March 2025). The right-of-use asset of LED products CGU have been fully impaired during the year ended 31 December 2025. For the detail of the impairment assessment of the related right-of-use asset are set out in Note 16.

16. INTANGIBLE ASSETS

	Patent sublicense RMB'000	Computer software RMB'000	Technology know-how RMB'000	Total RMB'000
Cost				
At 1 January 2024	11,410	736	—	12,146
Additions	—	387	—	387
Transfer from asset classified as held for sale (Note 31)	—	—	63,734	63,734
At 31 December 2024 and 1 January 2025 and 31 December 2025	11,410	1,123	63,734	76,267
Accumulated amortisation and impairment				
At 1 January 2024	6,530	414	—	6,944
Amortisation charge for the year	976	184	—	1,160
Impairment (Note)	3,904	77	—	3,981
Transfer from asset classified as held for sale (Note 31)	—	—	63,734	63,734
At 31 December 2024 and 1 January 2025	11,410	675	63,734	75,819
Amortisation charge for the year	—	210	—	210
At 31 December 2025	11,410	885	63,734	76,029
Net Book Value				
At 31 December 2025	—	238	—	238
At 31 December 2024	—	448	—	448

16. INTANGIBLE ASSETS (Continued)

Note:

Impairment of LED product cash-generating unit ("LED CGU")

Impairment tests on property, plant and equipment, right-of-use assets and intangible assets

Due to the significant loss incurred for the year ended 31 December 2025, the management of the Group concluded that there was indication of impairment and conducted impairment assessment on property, plant and equipment, right-of-use assets and intangible assets with carrying amounts (before any impairment) as at 31 December 2025 of approximately RMB191,450,000 (2024: RMB184,225,000), RMB2,920,000 (2024: RMB5,754,000) and RMB238,000 (2024: RMB448,000), respectively. For the purposes of impairment testing, assets are grouped at each operating segment for which there are separately identifiable cash flows (cash-generating-units). An impairment loss was recognised for the amount by which the carrying amount of the assets/CGU exceeds its recoverable amount.

For the purpose of impairment testing, the Group has engaged an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to perform appraisal of the fair value of the individual assets allocated to the CGU of LED products ("LED CGU") and the CGU of GaN and other semiconductor products ("GaN CGU"). The recoverable amounts of the LED CGU and GaN CGU have been determined on the basis of higher of the fair value less costs of disposal and VIU calculations of the LED CGU and GaN CGU, respectively.

LED CGU

At 31 December 2025, the recoverable amount of the LED CGU has been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a pre-tax discount rate of 17.63% (2024: 17.36%). The LED products business's cash flows beyond the 5-year period are extrapolated using a steady 2.02% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the LED products business's past performance and management's expectations for the market development.

The estimated recoverable amount of the LED CGU is lower than the respective carrying amount of the CGU. An impairment loss of approximately RMB954,000 (2024: approximately RMB11,405,000) has been recognised on property, plant and equipment, impairment loss of approximately RMB2,922,000 (2024: approximately RMB61,000) has been recognised on right-of-use assets, and impairment loss of RMB Nil (2024: approximately RMB3,981,000) has been recognised on intangible assets, during the year ended 31December 2025.

GaN CGU

At 31 December 2025, the recoverable amount of the GaN CGU has been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period with a pre-tax discount rate of 23.88% (2024: 24.66%). The GaN and other semiconductor products business's cash flows beyond the 5-year period are extrapolated using a steady 2.02 % growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the VIU calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the GaN and other semiconductor products business's past performance and management's expectations for the market development.

The estimated recoverable amount of the GaN CGU is greater than the respective carrying amount of the CGU and no impairment loss (2024: nil) has been recognised on property, plant and equipment, right-of-use assets and intangible assets during the year ended 31 December 2025.

17. FINANCIAL ASSETS AT FAIR VALUE

	2025 RMB'000	2024 RMB'000
Non-current assets		
Financial assets at FVTOCI		
— Unlisted equity securities (Note i)	**129,100**	181,926
Current assets		
Financial assets at FVTPL		
— Investment in unlisted fund (Note ii)	**33,460**	34,631

Notes:

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

The Group invested 7.73% (FY2024: 7.73%) of the ordinary shares of a company in the PRC at the consideration of RMB15,000,000 for investment purpose. The fair value of the investment become zero as at 31 December 2025 (FY2024: zero).

The Group acquired 1,749,961 non-redeemable series E preferred shares, which representing 17.38% (FY2024: 17.38%) of an unlisted company in the Israel Company principally engaged in developing GaN related products including high-power transistors and modules. The fair value as at 31 December 2025 is US$18,013,000 (2024: US$24,930,000) (equivalents to approximately RMB129,100,000 (2024: RMB181,926,000)).

The above-mentioned preferred shares acquired by the Group have no provision for redemption at the option of the holder and the issuer has no contractual obligation to pay dividends. The preferred shares are considered by the management as equity investment and do not contain any derivatives. The equity investment were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature and was classified as non-current asset.

The Company engaged an independent professional valuer to measure the fair value of the unlisted equity securities as at 31 December 2025. Fair value loss of approximately RMB46,035,000 (2024: fair value loss of approximately RMB32,767,000) was recognised in other comprehensive income during the year ended 31 December 2025. Refer Note 37(b) for detail.

On 30 November 2021, the Group acquired 206,367 non-redeemable preference shares, which representing 0.37% of total equity share in a Canadian company. During the year ended 31 December 2024, the Group disposed all shares at the consideration of approximately US$2.4 million (equivalents to approximately RMB17,384,000). The fair value gain of the disposed equity share is RMB103,000 recognised to in other comprehensive income during the year ended 31 December 2024.

(ii) The Group subscripted approximately the 5,000 shares (2024: 5,000 shares) in the unlisted fund as at 31 December 2025. Fair value gain of approximately RMB348,000 (2024: fair value loss of approximately RMB785,000) was recognised in profit or loss during the year ended 31 December 2025, refer Note 37(b) for detail.

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	**41,338**	41,945
Finished goods	**20,116**	17,073
	61,454	59,018

19. TRADE AND BILLS RECEIVABLES

The information about trade and bills receivables after ECLs are as follows:

	2025 RMB'000	2024 RMB'000
Trade receivables	**55,671**	54,267
Bills receivable	**6,929**	12,975
	62,600	67,242

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days, extending up to 120 days for major customers. The Group seeks to maintain control over its outstanding receivables and overdue balances which are reviewed regularly by senior management. There is a certain concentration of credit risk. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 38. The business model of the Group related to the bills receivable is "hold to collect".

Included in trade and bills receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period.

	2025 RMB'000	2024 RMB'000
0 to 30 days	**31,213**	34,573
31 to 60 days	**14,529**	8,858
61 to 90 days	**5,036**	6,719
91 to 120 days	**5,646**	4,945
121 to 365 days	**6,898**	7,264
Over 1 year	**20,685**	20,270
	84,007	82,629
Less: Impairment of trade and bills receivables (Note 38)	**(21,407)**	(15,387)
	62,600	67,242

The Group recognised impairment loss based on the accounting policy stated in Note 4(d)(ii).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Other receivables (Note i)	14,049	36,490
Prepayments and deposits (Note ii)	44,011	46,915
	58,060	83,405
Less: non-current portion		
Prepayments and deposits (Note iii)	—	(1,411)
Current portion	58,060	81,994

Notes:

(i) The balance of other receivables prior to the year ended 31 December 2024 previously included receivables from a non-controlling interest (the "Investor") amounting to approximately RMB45,000,000 in relation to its capital injection to Shenzhen Jiahong Semiconductor Company Limited ("Shenzhen Jiahong"), an indirect non-wholly owned subsidiary of the Company. On 1 January 2025, the Group and all the investors of Shenzhen Jiahong entered into a termination agreement pursuant to which the Investor was no longer required to pay the remaining investment amount of RMB45,000,000 (the "Remaining Investment Amount") to Shenzhen Jiahong and the registered capital of Shenzhen Jiahong was adjusted based on the amount actually paid by the Investor (the "Reduction of Share Capital"). Please refer to the announcement of the Company dated 2 January 2025 for details.

The management of the Group assessed the expected credit loss related to the Remaining Investment Amount due from the Investor by estimating the recoverable amount with reference to the fair value of the equity interests of Shenzhen Jiahong held by the Investor to be deregistered (the "Relevant Equity Interests"). The fair value of the ordinary shares of Shenzhen Jiahong was used in estimating the fair value of the Remaining Investment Amount because it was expected that as a result of the Reduction of Share Capital, the percentage of equity interests to be held by other shareholders of Shenzhen Jiahong, who are holding ordinary shares of Shenzhen Jiahong, would be increased. As at 31 December 2024, the fair value of the Relevant Equity Interests was approximately RMB11,000,000 which was made with reference to the valuation report of the ordinary shares of Shenzhen Jiahong dated 28 March 2025 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer.

During the year ended 31 December 2025, impairment loss recognised on other receivable was approximately RMB11,000,000 (2024: RMB34,000,000).

(ii) The amount includes the prepayment to the independent third parties suppliers amounted to approximately RMB33,150,000 (2024: approximately RMB42,792,000) for the purchase of raw material and the prepayment disclosed in note (iii) below.

(iii) The amounted includes the prepayment of approximately RMB1,411,000 for purchase of machinery as at 31 December 2024. The machinery was delivered to the Company during the year ended 31 December 2025.

21. CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Bank balances and cash	**14,617**	8,779
Denominated in RMB	**11,265**	7,473
Denominated in HK$	**3,242**	1,165
Denominated in US$	**110**	141

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.

22. TRADE PAYABLES

The credit period granted from suppliers normally ranges from 0 to 120 days. The aging analysis of trade payables, based on invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
0 to 30 days	**13,981**	7,364
31 to 60 days	**395**	4,273
61 to 90 days	**339**	2,852
91 to 120 days	**107**	1,283
121 to 365 days	**114**	1,718
Over 1 year	**222**	1,857
	15,158	19,347

23. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Accrued payroll	2,773	2,419
Other payables and accruals	17,276	12,318
Other tax payables	1,558	1,087
	21,607	15,824

24. BANK BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank loans — unsecured (Note)	10,000	10,000

Notes:

As at 31 December 2025, the effective interest rates of the unsecured interest — bearing bank loans were 2.68% (2024: 3.35%) per annum.

No banking facilities are subject to the fulfilment of covenants in lending arrangements with financial institutions.

25. DEFERRED TAX

Details of the deferred tax recognised and movements are as follows:

	Impairment of trade and bills receivables RMB'000	Write off of inventories RMB'000	Depreciation in excess of related depreciation allowances RMB'000	Impairment of assets RMB'000	Change in fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2024	1,616	481	892	2,000	1,442	6,431
Credited to other comprehensive income	—	—	—	—	2,308	2,308
Charged to profit or loss (Note 12)	(1,616)	(45)	(892)	(2,000)	—	(4,553)
At 31 December 2024 and 1 January 2025	—	436	—	—	3,750	4,186
Charged to profit or loss (Note 12)	—	(9)	—	—	—	(9)
At 31 December 2025	—	427	—	—	3,750	4,177

Pursuant to the PRC Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

As at 31 December 2025 and 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC for RMB72,710,000 (2024: RMB86,108,000). It is because in the opinion of the directors of the Company, it is not probable that the subsidiaries will distribute its earnings accrued from the date of operation to 31 December 2025 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2025 and 2024.

During the year ended 31 December 2025, unused tax losses of RMB6,254,000 expired as exceeded the five-year carryforward period under PRC tax regulations. These losses are no longer available to offset future taxable profits. The Group has unused tax losses of RMB325,135,000 (2024: RMB245,552,000) as at 31 December 2025 which is available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The unrecognised tax losses at the end of the reporting period will expire in the following years.

25. DEFERRED TAX (Continued)

	2025 RMB'000	2024 RMB'000
2025	**14,802**	6,254
2026	**82,027**	14,802
2027	**71,112**	82,027
2028	**71,357**	71,112
2029	**85,837**	71,357
	325,135	245,552

26. SHARE CAPITAL

	Number of ordinary shares	RMB'000
Issued and fully paid:		
At 1 January 2024 and 31 December 2025	751,054,785	6,664
Issue of shares by way of rights issue, net of transaction costs (Note (i))	187,763,696	1,755
At 31 December 2025	938,818,481	8,419

Note:

(i) On 12 November 2024, the Company announced to raise gross proceeds up to approximately HK$90.1 million before expenses by way of a rights issue by issuing up to 187,763,696 new shares ("Rights Shares") (excluding the new Shares that may be allotted and issued upon the full exercise of the vested share options) at the subscription price of HK$0.48 per Rights Share on the basis of one Rights Share for every four Shares held on 16 December 2024 ("Rights Issue").

The Rights Issue was completed on 7 February 2025. A total of 187,763,696 Rights Shares were issued. The gross and net proceeds were approximately HK$90.1 million and HK$87.8 million respectively. The net price was approximately HK$0.47 per Rights Share. The proceeds from the Rights Issue will be applied for (i) strengthening research and development capabilities of LED, Mini LED, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and (ii) provision of general working capital and strengthening the financial position of the Group.

27. RESERVES

Details of the movements on the Group's reserves for the years ended 31 December 2025 and 2024 is presented in the consolidated statement of changes in equity. Movements on the Company's reserves are as follows:

The Company

	Share premium RMB'000	Share option/ share awards reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	1,067,144	47,176	(528,790)	585,530
Loss for the year	—	—	(22,149)	(22,149)
Total comprehensive expense for the year	—	—	(22,149)	(22,149)
Forfeit of share options	—	(19,410)	19,410	—
Lapse of share options	—	(19,116)	19,116	—
Recognition of equity settled share-based payment expenses (Note 29)	—	10,045	—	10,045
At 31 December 2024 and 1 January 2025	1,067,144	18,695	(512,413)	573,426
Loss for the year	—	—	(192,537)	(192,537)
Total comprehensive expense for the year	—	—	(192,537)	(192,537)
Issue of shares by way of rights issue	82,273	—	—	82,273
Forfeit of share options	—	(110)	110	—
Lapse of share options	—	(1,324)	1,324	—
Recognition of equity settled share-based payment expenses (Note 29)	—	33,119	—	33,119
At 31 December 2025	1,149,417	50,380	(703,516)	496,281

(a) Share Premium

Share premium represents amount subscribed for share capital in excess of par value.

27. RESERVES (Continued)

The Company (Continued)

(b) Statutory Reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the PRC subsidiary, it is required to appropriate 10% of the annual net profits of the PRC subsidiary, after offsetting any prior years' losses as determined under the relevant PRC accounting standards, to their respective statutory reserves before distributing any net profit. When the balances of the statutory reserves reach 50% of their respective registered capital, any further appropriation is at the discretion of shareholders. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Other reserve

Other reserve represents the difference between the fair value of the consideration paid and the carrying value of the subsidiaries acquired and was recorded in the equity.

(d) Capital Reserve

Capital reserve represents the capital contribution from shareholders.

(e) Exchange Reserve

Exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(f) Share Option/Share Awards Reserve

Share option/share awards reserve represents recognition of equity-settled Share-based payment from grant date to exercisable period.

(g) Accumulated Losses

Accumulated losses represents cumulative net gains and losses recognised in profit or loss.

(h) Investment revaluation reserve

Investment revaluation reserve represents change in fair value of financial assets at FVTOCI.

28. LEASES

Right-of-use assets

The net book value of the underlying assets of right-of-use assets included in property, plant and equipment (Note 15) are as follows:

	31 December 2025 RMB'000	31 December 2024 RMB'000
Properties leased for own use, carried at depreciated cost	2,920	5,754

Lease liabilities

Future lease payments are due as follows:

	Minimum lease payments 31 December 2025 RMB'000	Future Interest 31 December 2025 RMB'000	Present-value 31 December 2025 RMB'000
Not later than one year	2,853	381	2,472
Later than one year and not later than two years	1,826	141	1,685
Later than two years and not later than five years	2,691	298	2,393
	7,370	820	6,550

	Minimum lease payments 31 December 2024 RMB'000	Future Interest 31 December 2024 RMB'000	Present-value 31 December 2024 RMB'000
Not later than one year	3,577	541	3,036
Later than one year and not later than two years	2,506	287	2,219
Later than two years and not later than five years	1,455	56	1,399
	7,538	884	6,654

28. LEASES (Continued)

Lease liabilities (Continued)

The present value of future lease payments are analysed as:

	31 December 2025 RMB'000	31 December 2024 RMB'000
Current liabilities	2,214	3,036
Non-current liabilities	4,336	3,618
	6,550	6,654

The lessee's incremental borrowing rate for the additional lease enforced during the year is 3.85% (2024: 3.35%).

No short term and low value lease which the Group has elected to recognise right-of-use asset and lease liabilities for the years ended 31 December 2025 and 2024.

29. SHARE-BASED PAYMENT

(a) Share Option Scheme

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

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

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

29. SHARE-BASED PAYMENT (Continued)

(a) Share Option Scheme (Continued)

On 17 June 2021, the Company 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 Option") for a consideration of HK$1 per option granted.

On 28 July 2023, the Company 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 Option") for a consideration of HK$1 per option granted.

The following tables disclose details of movements of the Company's 2021 Share Options held by directors and employees during the year:

				Number of share options						
Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK$)	Outstanding at 1 January 2025	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed or forfeited during the Year	Outstanding at 31 December 2025	Vested and exercisable at 31 December 2025
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

During the year ended 31 December 2025, the Company recognised expense for the services rendered during the vesting period under the 2021 Share Option of approximately RMB116,000 (2024: RMB2,018,000).

The following tables disclose details of movements of the Company's 2023 Share Options held by directors and employees during the year:

				Number of share options						
Date of grant	Vesting period	Exercisable period	Subscription price per Share (HK$)	Outstanding at 1 January 2025	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed or forfeited during the Year	Outstanding at 31 December 2025	Vested and exercisable at 31 December 2025
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)[Note 5]	–	–
	28/7/2023–30/6/2025 (Note 4)	30/6/2025–30/6/2026	1.40	2,076,250	–	–	–	(293,750)	1,782,500	1,782,500
				4,152,500	–	–	–	(2,370,000)	1,782,500	1,782,500

During the year ended 31 December 2025, the Company recognised expense for the services rendered during the vesting period under the 2023 Share Option of approximately RMB220,000 (2024: RMB1,118,000).

29. SHARE-BASED PAYMENT (Continued)

(a) 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.

(b) Share Award Scheme

The Company has 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 Awards 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 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. 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 ("First Batch Share Award").

As at 31 December 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 Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Forfeited during the Year	Outstanding at 31 December 2025	Vested and exercisable at 31 December 2025
Senior management and other employees									
31/1/2024	31/1/2024–30/1/2025	7,330,000	–	–	–	–	(1,120,000)	6,210,000	6,210,000
		7,330,000	–	–	–	–	(1,120,000)	6,210,000	6,210,000

29. SHARE-BASED PAYMENT (Continued)

(b) Share Award Scheme (Continued)

The estimated fair value of the awarded shares in related to First Batch Share Award granted is approximately RMB4.7 million. On the date of grant, the market price of the Company 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 year ended 31 December 2025, the Company recognised expense under the First Batch Share Award of approximately RMB325,000 (2024: RMB4,277,000).

On 4 December 2024, a total of 67,565,478 awarded shares were granted by the Company, to 7 directors and 25 employees participants, under the Share Award Scheme ("Second Batch Share Award").

As at 31 December 2025, details of the interests of the employee participants in the Second Batch Share Award are set out below:

Date of grant	Vesting period	Outstanding at 1 January 2025	Granted during the Year	Exercised during the Year	Cancelled during the Year	Lapsed during the Year	Forfeited during the Year	Number of adjustments on the Granted Awarded Shares as result of completion of Rights Issues (Note 1)	Outstanding at 31 December 2025 (Note 1)	Vested and exercisable at 31 December 2025
Directors of the Company										
4/12/2024	4/12/2024–3/12/2025	2,850,000	–	–	–	–	–	712,500	3,562,500	3,562,500
		2,850,000	–	–	–	–	–	712,500	3,562,500	3,562,500
Senior Management and other employees										
4/12/2024	4/12/2024–3/12/2025	63,965,478	–	–	–	–	(75,478)	15,972,500	79,862,500	78,300,000
		63,965,478	–	–	–	–	(75,478)	15,972,500	79,862,500	78,300,000
		66,815,478	–	–	–	–	(75,478)	16,685,000	83,425,000	81,862,500

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.

29. SHARE-BASED PAYMENT (Continued)

(b) Share Award Scheme (Continued)

The estimated fair value of the awarded shares in related to Second Batch Share Award granted is approximately RMB35.9 million. On the date of grant, the market price of the Company 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 year ended 31 December 2025, the Company recognised expense under the Second Batch Share Award of approximately RMB32,458,000 (2024: RMB2,632,000).

(c) Employee Share Incentive Scheme

On 29 December 2023, the Group has adopted an employee share incentive scheme (the "Employee Share Incentive Scheme") to recognise the contributions made by certain employees of the Shenzhen Jiahong Semiconductor Company Limited ("Shenzhen Jiahong"), a wholly-owned subsidiary of the Group, and its subsidiary, Jiangsu Jiahong Semiconductor Co., Ltd. ("Jiangsu Jiahong"), and to provide these employees with opportunities to indirectly invest in Jiangsu Jiahong and share the future growth and success of Jiangsu Jiahong through holding the partnership interests in Xuzhou Dihang Semiconductor Technology Partnership ("Employee Shareholding Platform"), which held 19.1% of equity interest in Shenzhen Jiahong.

On 30 June 2024, all the partnership interests in the Employee Shareholding Platform were granted to selected employees through the Employee Share Incentive Scheme (the "Incentive Shares") without any vesting conditions or restrictions. The total consideration of US$3.5 million for the Incentive Shares from the selected employees was settled in cash during the year ended 31 December 2024. All the incentive interests under the Employee Share Incentive Scheme have been granted to the selected employees and the Group lost control over the Employee Shareholding Platform as of 30 June 2024. The control over the 19.1% equity interest in Shenzhen Jiahong was passed to the selected employees on 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 Incentive Shares was approximately US$6.9 million (equivalent to approximately RMB50.4 million) as of 30 June 2024. The fair value of the Incentive Shares at the dates of grant were calculated with reference to the Valuation Report on the fair value of the ordinary shares of Shenzhen Jiahong as at 30 June 2024 prepared by Jones Lang LaSalle Corporate Appraisal Advisory Limited, an independent valuer, using market approach with adjustment. The assumptions used for the calculation for Incentive Shares granted are as follows:

Risk free rate	4.38%
Volatility	43.42%

During the year ended 31 December 2025, the Company recognised nil expense under the Employee Share Incentive Scheme (2024: RMB25,280,000).

30. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2025	2024
Percent of equity interest held by non-controlling interests:		
Shenzhen Jiahong	**39.70%**	40.91%

The following tables illustrate the summarized financial information of the above subsidiary.

	2025 RMB'000	2024 RMB'000
Loss for the year allocated to non-controlling interests:		
Shenzhen Jiahong	**(21,124)**	(26,257)
Accumulated balances of non-controlling interests at the reporting date:		
Shenzhen Jiahong	**14,739**	36,952

	2025 RMB'000	2024 RMB'000
Revenue	**29,592**	1,360
Total expenses, net	**(82,795)**	(71,877)
Loss for the year	**(53,203)**	(70,517)
Total comprehensive expense for the year	**(53,203)**	(78,779)
Current assets	**79,715**	51,266
Non-current assets	**198,143**	187,380
Current liabilities	**(239,068)**	(145,265)
Non-current liabilities	**(1,657)**	(3,055)
Net cash flows used in operating activities	**(69,366)**	(43,840)
Net cash flows used in investing activities	**(20,727)**	(19,592)
Net cash flows from financing activities	**85,878**	31,049
Net decrease in cash and cash equivalent	**(4,215)**	(32,383)

31. ASSETS CLASSIFIED AS HELD FOR SALE

On December 30, 2023, the Group entered into a memorandum of understanding (the "MOU") to dispose entire equity interest in Fast Charging Limited ("Fast Charging") to a potential buyer for cash (the "Potential Disposal"). Fast Charging held certain technology know-how, which were its only assets, with a carrying amount of approximately RMB59,419,000. The technology know-how comprises 6 patents currently under registration in the PRC, specifically focused on fast charging solutions for battery systems. Substantial progress has been made towards completing the sale by the end of 2023, and it is expected that the Potential Disposal would be completed by the end of the first half of 2024. As a result, the technology know-how has been reclassified as assets held for sale in the consolidated statement of financial position for the year ended 31 December 2023.

During the year ended 31 December 2024, the MOU expired and no formal agreement was entered into between the Group and the potential buyer for the Potential Disposal. The deposit paid by the potential buyer to the Group to secure the transaction of HK$1,000,000 was forfeited. During the year ended 31 December 2024, the management of the Group actively pursued alternative channels to sell the technology know-how to independent third parties. As of 31 December 2024, no potential buyers were identified. The management of the Group determined that the sale of the technology know-how was not highly probable. The management of the Group ceased to classify the technology know-how as asset held for sale from 31 December 2024 ("Ceases Date"). As a result, the technology know-how, previously classified as assets held for sale, has been reclassified as intangible asset on 31 December 2024.

Impairment of technology know-how for the year ended 31 December 2024

Method

The selection of the valuation approach in valuing technology know-how is based on, among other criteria, the quantity and quality of the information provided, accessibility to available data, availability of relevant market transactions, uniqueness of the fast-charging business operations and nature of the industry, professional judgment and technical expertise.

The income approach was adopted in the valuation as it took the future growth potential and firm specific issues into consideration and derived the fair value of the technology know-how on a continuing-use basis assessed by an independent valuer (the "Independent Valuer"). Under the income approach, the discounted cash flow method is adopted.

31. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Impairment of technology know-how for the year ended 31 December 2024 (Continued)

Key assumptions

In conducting the valuation work, certain major assumptions were adopted in order to sufficiently support the Independent Valuer's opinion of value. In addition, the valuation analyses are also subject to specific representations and certain principal assumptions that the management of the Group considered necessary and appropriate for adoption in the valuation analyses are stated as follows:

- the information provided and the representations made by the management of the Group with regard to the fast-charging business financial and business affairs are accurate and reliable;
- the fast-charging business will continue to operate as a going concern and has sufficient liquidity and maximize the efficiency of the operation of fast-charging business;
- the fast-charging business has obtained all necessary permits, business certificates, licenses and legal approvals to operate the business and all relevant permits, business certificates, licenses and legal approvals to operate the business in the localities in which the Fast-charging business operates or intends to operate would be officially obtained and renewable upon expiry with de minimis expenses;
- the projections outlined in the financial projection provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialised;
- there will be sufficient supply of technical staff in the industry in which the fast-charging business operates or intends to operate, and the fast-charging business will retain competent management, key personnel and technical staff to support their ongoing operations and developments;
- there will be no major changes in the current taxation laws in the localities in which the fast-charging business operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- there will be no major changes in the political, legal, economic or market conditions in the localities in which the Fast-charging business operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the fast-charging business;
- there will be no material changes in the relevant interest rates and exchange rates that would impact the fast-charging business; and
- there are no actual or contingent assets or liabilities, no unusual obligations or substantial commitments, other than in the ordinary course of business and as reflected in the financials, nor any litigation pending or threatened, which would have a material impact on the value of the fast-charging business.

31. ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Impairment of technology know-how for the year ended 31 December 2024 (Continued)

Key assumptions (Continued)

Impairment loss of RMB16,552,000 on the measurement of the technology know-how to recoverable amount has been recognised. The carrying amount of the technology know-how at Ceases Date for reclassification to intangible asset is nil.

Valuation technique(s) and key input(s)	Fair value hierarchy	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Discounted cash flows — future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying assets	Level 3	Discount rate Growth rate	The higher the discount rate, the lower the valuation The higher the growth rate, the higher the valuation

The following describes the key assumptions on which management has based its cash flow projections to undertake valuation:

Budget revenue growth rates — The budget revenue growth rates are based on the market outlook perceived by management. The five-year period with estimated revenue growth rate applied at 31 December 2024 is -67% to 14% per annum.

Discount rate – The discount rates used are before tax and reflect specific risks relating to the relevant unit. The discount rate applied at 31 December 2024 is 19.89%.

Long term growth rate — The long term growth rate is based on market data and management's expectation on the future development of the related business. The long term growth rate applied at 31 December 2024 is 2%.

The values assigned to the key assumptions on market development and discount rate are consistent with external information sources.

32. CAPITAL COMMITMENTS

	2025 RMB'000	2024 RMB'000
Commitments for the acquisition of property, plant and equipment	**9,171**	17,967

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		7	7
Amounts due from subsidiaries (Note)		350,957	455,930
		350,964	455,937
Current assets			
Prepayments		183	136
Amounts due from subsidiaries (Note)		158,229	128,574
Cash and cash equivalents		2,056	1,131
		160,468	129,841
Current liabilities			
Other payables		6,732	5,688
		6,732	5,688
Net assets		504,700	580,090
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	8,419	6,664
Reserves	27	496,281	573,426
Total equity		504,700	580,090

Note: For the amounts due from subsidiaries, the Directors make periodic individual assessment on the recoverability of the subsidiaries. No provision on expected credit loss on amount due from subsidiaries recognised during the year ended 31 December 2025 (2024: Nil).

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31 March 2026 and are signed on its behalf by:

Xu Zhihong
Director

Li Yang
Director

34. INVESTMENT IN SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2025 and 2024 are as follows:

Name	Form of business structure	Place of incorporation/ operation and principal activity	Description of shares held	Percentage of ownership interests/ voting rights/profit share			
				2025		2024	
				Direct %	Indirect %	Direct %	Indirect %
FastSemi Holding Limited	Corporation	BVI Investment holding	1 ordinary share of United State Dollar ("US$") 1 each	100	–	100	–
GSR Go Holding Corporation	Corporation	BVI Investment holding	1,000 ordinary shares of US$1 each	100	–	100	–
Zhuhai HongGuang Semiconductor Company Limited*	Corporation	The PRC Design, development, manufacturing, subcontracting service and sales of LED products	RMB 36,000,000	–	100	–	100
Fast Charging Limited	Corporation	Hong Kong Research and development of fast charging solutions for battery system	10,000 ordinary shares of HK$1 each	–	100	–	100
Swift Power Limited	Corporation	Hong Kong Investment holding	1 ordinary share of HK$1 each	–	100	–	100
Ganhonor Semiconductor Co., Ltd previously known as Xuzhou GSR Semiconductor Co., Ltd	Corporation	The PRC Design, development, manufacturing and sales of GaN and other semiconductor products	US$25,254,215	–	60.30	–	59.09
Shenzhen Jiahong Semiconductor Company Limited	Corporation	The PRC Manufacturing and sales of semiconductor products and related equipment, provision of technical development services, consultation and promotional services	US$14,386,518	–	60.30	–	59.09
深圳前沿科技研發有限公司*	Corporation	The PRC Research and development	Nil**	–	100	–	100
HG Semiconductor (Hong Kong) Limited	Corporation	Hong Kong Sale of semiconductor products	1,000 ordinary shares of HK$1 each	–	100	–	100

None of the subsidiaries had issued any debt securities at the end of the year.

* Those subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

** No share capital paid up during the year.

35. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transactions	Transaction amount 2025 RMB'000	2024 RMB'000
珠海經濟特區利佳電子發展有限公司	Utility expense (Note (ii))	2,179	2,103
珠海經濟特區利佳電子發展有限公司	Rental expense (Note (iii))	295	361
珠海經濟特區利佳電子發展有限公司	Interest on lease liability (Note (iii))	77	11
		2,551	2,475

Notes:

(i) The related party is beneficially owned by the shareholders of the Company, Mr. Zhao Yi Wen, who is also director of the Company.

(ii) The utility expense was first paid by the related party based on the actual amount of utility expense incurred, which was subsequently reimbursed by the Group.

(iii) The rental expense and interest on lease liability are relating to the property lease from the related party (Note 15).

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Executive Directors as disclosed in Note 10, is as follows:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	5,456	5,337
Pension scheme contributions	47	62
	5,503	5,399

36. NOTES SUPPORTING CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise

	2025 RMB'000	2024 RMB'000
Bank balances and cash available on demand	14,617	8,779

36. NOTES SUPPORTING CASH FLOW STATEMENT (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2024	10,000	6,657
Change from cash flow:		
Proceed from borrowings	10,000	—
Repayment of borrowings	(10,000)	—
Repayment of principal portion of the lease liabilities	—	(2,549)
Interest paid	(348)	(740)
Total change from cash flow	(348)	(3,289)
Other change:		
Exchange realignment	—	48
Addition on lease liabilities	—	2,498
Interest expenses	348	740
Total other change	348	3,286
At 31 December 2024 and 1 January 2025	10,000	6,654
Change from cash flow:		
Proceed from borrowings	14,000	—
Repayment of borrowings	(14,000)	—
Repayment of principal portion of the lease liabilities	—	(3,209)
Interest paid	(480)	(617)
Total change from cash flow	(480)	(3,826)
Other change:		
Exchange realignment	—	(54)
Addition on lease liabilities	—	3,159
Interest expenses	480	617
Total other change	480	3,722
At 31 December 2025	10,000	6,550

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2025 RMB'000	2024 RMB'000
Financial assets		
Measured at amortised cost	**91,800**	113,068
FVTPL	**33,460**	34,631
FVTOCI	**129,100**	181,926
Financial liabilities		
Measured at amortised cost	**45,207**	44,084

The fair value of all these financial assets and financial liabilities are not materially different from their carrying amounts.

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include bank balances and cash, trade and bills receivables, other receivables, trade payables, other payables and bank borrowings and lease liabilities.

Due to their short term nature, the carrying value of bank balances and cash, trade and bills receivables, other receivables, trade payables, other payables, bank borrowings and lease liabilities approximates fair value.

(b) Financial instruments measured at fair value

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instrument, as well as the relationship between key observable inputs and fair value are set out below.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(b) Financial instruments measured at fair value (Continued)

Financial assets	31 December 2025 RMB'000	31 December 2024 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity investments at fair value	129,100	181,926	Level 3	Equity value allocation model (2024: Equity value allocation model)	Risk free rate	The higher the discount rate, the lower the valuation
					Probability for liquidation	The higher the probability for liquidation, the lower the valuation
Unlisted fund investments at fair value	33,460	34,631	Level 3	Fair value of underlying investments (2024: Fair value of underlying investments)	Fair value of investment	The higher the fair value, the higher the valuation

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

(b) Financial instruments measured at fair value (Continued)

Significant unobservable inputs

	2025	2024
Risk free rate	**3.65%**	3.0%
Probability for liquidation	**5%**	10.0%

Details of reconciliation of financial assets and financial liabilities at FVTPL and FVTOCI measured at Level 3 fair value measurement are set out as below:

	Unlisted equity investments at fair value RMB'000	Unlisted fund investments at fair value RMB'000
As at 1 January 2024	224,439	34,440
Change in fair value	(32,664)	(785)
Disposal of unlisted equity investment	(17,608)	—
Exchange realignment	7,759	976
As at 31 December 2024 and 1 January 2025	**181,926**	**34,631**
Change in fair value	**(46,035)**	**348**
Exchange realignment	**(6,791)**	**(1,519)**
As at 31 December 2025	**129,100**	**33,460**

There were no transfers between levels during the years 2025 and 2024.

38. FINANCIAL RISK MANAGEMENT

The Group's activities expose itself to variety of financial risks: interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors regularly reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk in relation to variable-rate bank balances. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to the short-term bank deposits. However, management considers the interest rate risk on the deposits is insignificant as they are relatively short-term. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

After performed the sensitivity analysis, management considered that the potential effect on the Group's post-tax profit at the end of each of the reporting period would be minimal, if interest rates had been 100 basis points higher/lower and all other variables were held constant. In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of each of the reporting period do not reflect the exposures during the year.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. At the end of reporting period, the Group is exposed to equity price risk mainly through its investment in equity securities classified as financial assets at FVTPL (Note 17) and financial asset at FVTOCI (Note 17). The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. For financial assets at FVTPL, equity price risk is mainly concentrated on equity price in the unlisted fund. For financial asset at FVTOCI, the equity price risk is mainly derived from latest transaction prices/consideration for shares transfer in similar equity interest.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices of financial assets at FVTPL and financial assets at FVTOCI had been 10% higher/lower (2024: 10% higher/lower), with all other variables held constant, the loss before tax would have decrease/increase by approximately RMB3,346,000 (2024: decrease/increase by approximately RMB3,463,000) and the other comprehensive income would have increase/decrease by RMB12,910,000 (2024: increase/decrease by approximately RMB18,193,000) respectively, arising from the fair value gain/loss of the financial assets at FVTPL and financial assets at FVTOCI.

38. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The Group's exposure to foreign currency risk relates principally to its bank balances denominated in foreign currencies other than the functional currency of relevant group entity. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2025 RMB'000	2024 RMB'000
USD	110	141
HKD	3,242	1,165

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2025		2024	
	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and decrease/ (increase) in accumulated losses RMB'000	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after tax and decrease/ (increase) in accumulated losses RMB'000
USD	5%	4	5%	5
	(5%)	(4)	(5%)	(5)
HKD	5%	121	5%	44
	(5%)	(121)	(5%)	(44)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

Except for trade receivables, the credit risk of the Group's other financial assets, which comprise bank balances and cash and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty.

38. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of 31 December 2025, the Group has a certain concentration of credit risk as approximately 42.3% (2024: 42.3%) of the total trade receivables were due from the five largest customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The Group's historical credit loss experience indicated different loss patterns for different customer segments. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The historical default rates on the Group's trade receivables for the past 5 years were low. The management, in assessing the amount of the ECLs, takes into account not only the Group's historical data but also external market information about possible default rates on debts similar to the Group's trade debts. Different customer segments are outlined as follows:

- Grade 1 Good credit rating customers
- Grade 2 Average credit rating customers
- Grade 3 Credit impaired customers

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

31 December 2025

Grade 1

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	0.11%	13,852	15
Past due for less than 30 days	0.11%	2,488	2
Past due for more than 30 days but less than 90 days	0.11%	3,896	4
Over 365 days	0.11%	1,558	2
		21,794	23

38. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

31 December 2025 (Continued)

Grade 2

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	1.55%	14,878	231
Past due for less than 30 days	1.72%	1,328	23
Past due for more than 30 days but less than 60 days	1.91%	748	14
Past due for more than 60 days but less than 90 days	2.65%	486	13
Past due for more than 90 days but less than 365 days	3.05%	9,547	291
Over 365 days	100%	4,161	4,161
		31,148	4,733

Grade 3

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	100%	291	291
Past due for less than 30 days	100%	5	5
Past due for more than 30 days but less than 60 days	100%	7	7
Past due for more than 90 days but less than 365 days	100%	99	99
Over 365 days	100%	16,249	16,249
		16,651	16,651

31 December 2024

Grade 1

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	0.72%	24,839	179
Past due for less than 30 days	0.72%	5,513	39
Past due for more than 30 days but less than 90 days	0.72%	4,226	30
Over 365 days	7.52%	7	1
		34,585	249

38. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

31 December 2024 (Continued)

Grade 2

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	4.81%	11,414	549
Past due for less than 30 days	4.81%	903	43
Past due for more than 30 days but less than 90 days	4.81%	1,013	49
Past due for more than 90 days but less than 120 days	7.12%	286	20
Past due for more than 120 days but less than 365 days	7.12%	1,905	136
Over 365 days	26.83%	5,602	1,503
		21,123	2,300

Grade 3

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Past due for more than 365 days	92.66%	13,946	12,838
		13,946	12,838

Summary

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January	**15,387**	6,469
Provision on expected credit losses	**6,020**	8,918
Balance at 31 December	**21,407**	15,387

The following significant changes in the gross carrying amounts of trade and bills receivables contributed to the increase in the loss allowance during 2025:

— Increase in long overdue trade receivable resulted in an increase in loss allowance at approximately RMB175,000 (2024: Increase RMB8,918,000).

Details about the impairment loss recognised on other receivables has been disclosed in Note 20.

38. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables show the remaining contractual maturities at the end of the reporting period of the Company's non-derivative and derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
At 31 December 2025						
Trade payables	**15,158**	**15,158**	**15,158**	**—**	**—**	**—**
Other payables and accruals	**20,049**	**20,049**	**20,049**	**—**	**—**	**—**
Borrowings	**10,000**	**10,268**	**10,268**	**—**	**—**	**—**
Lease liabilities	**6,550**	**7,370**	**2,853**	**1,826**	**2,691**	**—**
	51,757	**52,845**	**48,328**	**1,826**	**2,691**	**—**

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year or on demand RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
At 31 December 2024						
Trade payables	19,347	19,347	19,347	—	—	—
Other payables and accruals	14,737	14,737	14,737	—	—	—
Borrowings	10,000	10,102	10,102	—	—	—
Lease liabilities	6,654	7,538	3,577	2,506	1,455	—
	50,738	51,724	47,763	2,506	1,455	—

39. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. Net debt includes trade payables, other payables and accruals and bank borrowings less Bank balances and cash. The net debt-to-equity ratio as at the end of each of the financial year is as follows:

	2025 RMB'000	2024 RMB'000
Trade payables	**15,158**	19,347
Other payables and accruals	**21,607**	15,824
Borrowings	**10,000**	10,000
Less: Bank balances and cash	**(14,617)**	(8,779)
Net debt	**32,148**	36,392
Equity	**504,761**	577,789
Net debt-to-equity ratio	**6%**	6%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40. SUBSEQUENT EVENTS

On 1 December 2025, (i) the Company entered into a sale and purchase agreement with three entities whose ultimate beneficial owner is Ms. Qin Xiaolu ("Vendors A") for the acquisition of the entire issued share capital of Join Gain which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong ("Acquisition A"), for a total consideration of HK$73,388,000 ("Consideration A"); and (ii) the Company entered into a sale and purchase agreement with an entity wholly owned by Mr. Zhan Haisu ("Vendor B") for the acquisition of the entire issued share capital of Red Mont which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong ("Acquisition B"), for a total consideration of HK$40,816,000 ("Consideration B").

Consideration A shall be satisfied by the Company by way of allotment and issue of a total of 146,776,000 shares of the Company, credited as fully paid, to Vendors A and Consideration B shall be satisfied by the Company by way of issue of a promissory note in the amount of HK$40,816,000 to Vendor B. Completion of Acquisition A and Acquisition B took place on 29 January 2026 and 10 February 2026 respectively. Upon completion of the aforesaid acquisitions, Shenzhen Jiahong is owned by the Group as to approximately 73.28% and it remains as an indirect non wholly-owned subsidiary of the Company. 146,776,000 shares of the Company were issued to New Rainbow Developments Limited, being one of the Vendors A wholly owned by Ms. Qin for the settlement of Consideration A.

For details, please refer to the circular of the Company dated 7 January 2026 and the completion announcements of the Company dated 29 January 2026 and 10 February 2026 respectively.

41. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2026.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from published audited financial statements and restated/reclassified as appropriate, is set out below:

RESULTS

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	**97,759**	75,282	88,600	87,518	126,137
Loss before income tax	**(134,007)**	(178,477)	(160,509)	(101,646)	(447,624)
Income tax (expense) credit	**(9)**	(4,599)	2,936	359	798
Loss for the year	**(134,016)**	(183,076)	(157,573)	(101,287)	(446,826)

ASSETS AND LIABILITIES

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	**558,076**	629,614	764,886	718,308	665,873
Total liabilities	**53,315**	51,825	44,276	108,363	56,532
Total equity	**504,761**	577,789	720,610	609,945	609,341