HG SEMICONDUCTOR LIMITED
宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2026

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2026

Comparing to the corresponding six months ended 30 June 2025

— Based on the unaudited condensed consolidated results of HG Semiconductor Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2026 (the "**Period**"), the Group's revenue for the Period increased to approximately RMB51.6 million, representing an increase of approximately 55.9% as compared to approximately RMB33.1 million for the six months ended 30 June 2025 (the "**Previous Period**").

— During the Period, the Group's gross profit decreased to approximately RMB2.8 million, representing a decrease of approximately 12.5% as compared to approximately RMB3.2 million for the Previous Period.

— During the Period, the Group's net loss was approximately RMB41.0 million, as compared to a net loss of approximately RMB66.0 million for the Previous Period.

— Loss per share for the Period was approximately RMB3.05 cents (Previous Period: loss per share of approximately RMB7.70 cents).

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

For the six months ended 30 June 2026

The board (the "**Board**") of the directors (the "**Directors**") of the Company announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2026 (the "**Period**"), together with the unaudited comparative figures for the corresponding period in 2025 (the "**Previous Period**"), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026

		Six months ended 30 June	
		2026	2025
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**51,623**	33,061
Cost of sales		**(48,847)**	(29,847)
Gross profit		**2,776**	3,214
Other income, gains and losses, net	*4*	**(202)**	351
Selling and distribution expenses		**(1,645)**	(1,437)
Administrative and other expenses		**(39,171)**	(65,693)
Impairment loss recognised on trade and bills receivables		**(781)**	(176)
Impairment loss recognised on property, plant and equipment		**(1,028)**	—
Finance costs	*5*	**(697)**	(2,263)
Loss before income tax		**(40,748)**	(66,004)
Income tax expense	*6*	**(295)**	—
Loss for the period		**(41,043)**	(66,004)
Other comprehensive (expense) income for the period			
Item that may be reclassified to profit or loss:			
Exchange difference on translating foreign operations		**(5,275)**	(5,296)
Items that will not be reclassified to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income ("**FVTOCI**")		**5,013**	(78,381)
Total comprehensive expense for the period		**(41,305)**	(149,681)

	Note	Six months ended 30 June 2026 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(34,641)**	(59,293)
Non-controlling interests		**(6,402)**	(6,711)
		(41,043)	(66,004)
Total comprehensive expense attributable to:			
Owners of the Company		**(34,903)**	(142,970)
Non-controlling interests		**(6,402)**	(6,711)
		(41,305)	(149,681)
Loss per share attributable to owners of the Company during the period			
— Basic and diluted (RMB cents)	8	**(3.05)**	(7.70)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	**As at 30 June 2026** *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**189,268**	194,370
Intangible assets	*10*	**150**	238
Financial assets at FVTOCI	*14*	**154,670**	129,100
Deferred tax assets		**4,177**	4,177
		348,265	327,885
Current assets			
Inventories		**61,166**	61,454
Trade and bills receivables	*11*	**77,252**	62,600
Prepayments, deposits and other receivables	*12*	**59,162**	58,060
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**—**	33,460
Cash and cash equivalents	*15*	**7,223**	14,617
		204,803	230,191
Current liabilities			
Trade payables	*16*	**23,378**	15,158
Other payables and accruals		**40,570**	21,607
Bank borrowings	*17*	**20,000**	10,000
Lease liabilities		**1,289**	2,214
		85,237	48,979
Net current assets		**119,566**	181,212
Total assets less current liabilities		**467,831**	509,097

	Note	As at 30 June 2026 RMB'000 (unaudited)	As at 31 December 2025 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		**4,805**	4,336
Promissory note	*18*	**35,652**	—
		40,457	4,336
Net assets		**427,374**	504,761
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,494**	8,419
Reserves		**412,749**	481,603
		423,243	490,022
Non-controlling interests		**4,131**	14,739
Total equity		**427,374**	504,761

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

	Equity attributable to owners of the Company											
	Share capital	**Share premium**	**Share option/ Share award reserve**	**Statutory reserve**	**Other reserve**	**Capital reserve**	**Investment revaluation reserve**	**Exchange reserve**	**Accumulated losses**	**Subtotal**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026 (audited)	**8,419**	**1,149,417**	**50,380**	**15,498**	**580**	**35,972**	**(36,465)**	**(9,035)**	**(724,744)**	**490,022**	**14,739**	**504,761**
Loss for the period	—	—	—	—	—	—	—	—	**(34,641)**	**(34,641)**	**(6,402)**	**(41,043)**
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	**(5,275)**	—	**(5,275)**	—	**(5,275)**
Change in fair value of financial assets at FVTOCI	—	—	—	—	—	—	**5,013**	—	—	**5,013**	—	**5,013**
Total comprehensive expense for the period	—	—	—	—	—	—	**5,013**	**(5,275)**	**(34,641)**	**(34,903)**	**(6,402)**	**(41,305)**
Issuance of shares	**1,307**	**64,015**	—	—	—	—	—	—	—	**65,322**	—	**65,322**
Cancellation of award share issued	**(16)**	**(767)**	**783**	—	—	—	—	—	—	—	—	—
Issue of new shares upon vesting of share awards under the share scheme	**784**	**37,254**	**(38,038)**	—	—	—	—	—	—	—	—	—
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	**(97,198)**	**(97,198)**	**(4,206)**	**(101,404)**
Lapse of share options	—	—	**(13,125)**	—	—	—	—	—	**13,125**	—	—	—
At 30 June 2026 (unaudited)	**10,494**	**1,249,919**	—	**15,498**	**580**	**35,972**	**(31,452)**	**(14,310)**	**(843,458)**	**423,243**	**4,131**	**427,374**
At 1 January 2025 (audited)	6,664	1,067,144	18,695	15,498	580	35,972	9,570	1,089	(614,375)	540,837	36,952	577,789
Loss for the period	—	—	—	—	—	—	—	—	(59,293)	(59,293)	(6,711)	(66,004)
Exchange differences on translating foreign operations	—	—	—	—	—	—	—	(5,296)	—	(5,296)	—	(5,296)
Change in fair value of financial assets at FVTOCI	—	—	—	—	—	—	(78,381)	—	—	(78,381)	—	(78,381)
Total comprehensive expense for the period	—	—	—	—	—	—	(78,381)	(5,296)	(59,293)	(142,970)	(6,711)	(149,681)
Placing of new shares	1,755	82,273	—	—	—	—	—	—	—	84,028	—	84,028
Lapse of share options	—	—	(858)	—	—	—	—	—	858	—	—	—
Forfeit of share options and share awards	—	—	(738)	—	—	—	—	—	738	—	—	—
Recognition of equity-settled share-based payment expenses	—	—	20,791	—	—	—	—	—	—	20,791	—	20,791
At 30 June 2025 (unaudited)	8,419	1,149,417	37,890	15,498	580	35,972	(68,811)	(4,207)	(672,072)	502,686	30,241	532,927

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The Company's principal activity is investment holding. The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including light-emitting diode ("**LED**") beads, gallium nitride ("**GaN**") chips, GaN components and related application products, and fast charging products in the PRC.

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2026 have been prepared on the historical cost basis, except for the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. The unaudited condensed consolidated financial statements for the six months ended 30 June 2026 are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

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

2. CHANGES IN HKFRS ACCOUNTING STANDARDS

Other than changes in accounting policies resulting from amendments to HKFRS Accounting Standards, the accounting policies used in preparing these interim condensed consolidated financial statements for the six months ended 30 June 2026 are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2025.

The HKICPA has issued certain new and revised HKFRS Accounting Standards. For those which are effective for accounting period beginning on 1 January 2026, the adoption of the new HKFRS Accounting Standards had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

3. SEGMENT INFORMATION

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

Segment revenue and results

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

	Six months ended 30 June 2026			Six months ended 30 June 2025		
	LED products	**GaN and other semiconductor products**	**Total**	LED products	GaN and other semiconductor products	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)
Segment revenue	**46,324**	**5,299**	**51,623**	24,930	8,131	33,061
Segment result	**(3,830)**	**(23,116)**	**(26,946)**	(3,084)	(31,711)	(34,795)
Other unallocated						
Other income, gains and losses, net			**(202)**			351
Other administrative expenses			**(12,903)**			(29,297)
Finance costs			**(697)**			(2,263)
Loss before income tax expense			**(40,748)**			(66,004)

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

4. REVENUE, OTHER INCOME AND GAINS

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

The sales contract terms do not allow rebate, discount, warranties and return on revenue. During the six months ended 30 June 2026 and 2025, there were no rebate, discount, warranties and return on revenue.

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
LED products		
Revenue recognised at a particular point in time		
Sales of LED beads	**46,324**	24,930
Sales of GaN and fast-charging products	**5,299**	8,131
	51,623	33,061
Other income, gains and losses, net		
Bank interest income	**46**	8
Government grants *(Note)*	**—**	263
Other income	**(248)**	80
	(202)	351

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.

5. FINANCE COSTS

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**196**	1,935
Interest on promissory note	**277**	—
Interest on lease liabilities	**224**	328
	697	2,263

6. INCOME TAX EXPENSE

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

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

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2026 and 2025. For the six months ended 30 June 2026, the first HK$2,000,000 of profits earned by one of the group companies will be taxed at a rate of 8.25% whilst the remaining profits will continue to be taxed at 16.5%. No provision for Hong Kong profits tax has been made as the Group's Hong Kong subsidiaries had no estimated assessable profits for the reporting period (2025: Nil).

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect therefore.

7. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2026 (2025: Nil), or by any of the companies now comprising the Group during the reporting period.

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2026	2025
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company	**(34,641)**	(59,293)

	Six months ended 30 June	
	2026	2025
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,136,715,970**	769,727,418
Effect of dilutive potential ordinary shares in respect of the Company's share option schemes *(Notes (ii))*	**—**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,136,715,970**	769,727,418

Notes:

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

(ii) For the six months ended 30 June 2025, the potential ordinary shares from share options were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals of owned assets

During the six months ended 30 June 2026, the Group acquired items of property, plant and equipment with a cost of approximately RMB3.6 million (six months ended 30 June 2025: approximately RMB15.0 million). Property, plant and equipment of the Group with a net book value of approximately RMB24,049 was written off during the six months ended 30 June 2026 (six months ended 30 June 2025: approximately RMB1,000).

10. INTANGIBLE ASSETS

As at 30 June 2026 and 31 December 2025, the Group's intangible assets consist of patent sublicense and computer software. During the six months ended 30 June 2026, the Group did not acquire or dispose any intangible assets (six months ended 30 June 2025: Nil). Amortisation charged for the six months ended 30 June 2026 amounted to approximately RMB0.1 million (six months ended 30 June 2025: approximately RMB0.1 million).

As at 30 June 2026, the carrying amount of the Group's intangible assets was approximately RMB0.2 million (31 December 2025: approximately RMB0.2 million).

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Trade receivables	**62,432**	55,671
Bills receivables	**14,820**	6,929
	77,252	62,600

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

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
0 to 30 days	**44,754**	31,213
31 to 60 days	**11,155**	14,529
61 to 90 days	**9,453**	5,036
91 to 120 days	**6,229**	5,646
121 to 365 days	**6,997**	6,898
Over 1 year	**20,852**	20,685
	99,440	84,007
Less: Impairment of trade and bills receivables	**(22,188)**	(21,407)
	77,252	62,600

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Other receivables	**14,581**	14,049
Prepayments and deposits *(Note)*	**44,581**	44,011
	59,162	58,060

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

Note: The amount includes the prepayment to the independent third parties suppliers amounted to approximately RMB44.3 million (31 December 2025: approximately RMB33.2 million) for purchase of raw materials.

13. FINANCIAL ASSETS AT FVTPL

The financial assets at fair value through profit or loss represent the investment in an unlisted fund. During the six months ended 30 June 2026, the unlisted fund was dissolved. The investment in the fund was liquidated and the Group received a distribution in specie of shares in an unlisted company. The shares received were reclassified to financial assets at FVTOCI. The fair value of the shares received was approximately US$3.6 million, equivalent to approximately RMB26.3 million. Fair value loss of approximately RMB7.2 million was recognised in profit or loss during the six months ended 30 June 2026.

14. FINANCIAL ASSETS AT FVTOCI

	As at 30 June 2026	As at 31 December 2025
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Financial assets at fair value FVTOCI		
— Unlisted equity securities	**154,670**	129,100

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

a. In 2021, the Group invested in 10% of the ordinary shares of a company in the PRC (the "**PRC Company Shares**") at the consideration of RMB15 million for investment purpose (the "**PRC Company Investment**"). The number of PRC Company Shares acquired represented approximately 7.73% of the total issued ordinary shares of this PRC company as at 30 June 2026. The fair value of the PRC Company Investment as at 30 June 2026 was zero (31 December 2025: zero).

b. In 2021, the Group acquired 1,749,961 non-redeemable series E preferred shares of an unlisted company in Israel (the "**Israeli Company**") principally engaged in developing GaN related products including high-power transistors and modules at the consideration of approximately US$25.0 million (the "**Israeli Company Investment**"). The total number of shares of the Israeli Company acquired represented approximately 17.68% of the total equity shares of the Israeli Company as at 30 June 2026. The fair value of the Israeli Company Investment as at 30 June 2026 was approximately US$22.4 million, equivalent to approximately RMB154.7 million (31 December 2025: approximately US$18.0 million, equivalent to approximately RMB129.1 million).

The Company engaged an independent professional valuer (the "**Valuer**") to measure the fair value of the Israeli Company Investment as at 30 June 2026. For the valuation of the Israeli Company Investment, the hybrid method, which makes use of probability-weighted expected return method, prior transaction method and an option pricing model, is applied to calculate the value. The underlying equity value of the Israeli Company is developed through the prior transaction method under the market approach. Taking into account a Capital Injection transaction conducted by an independent third party, this methodology uses prior transactions of the Israeli Company as an indicator of current value. The Valuer applies an option pricing model to back-solve the implied equity value of the Israeli Company as at 30 June 2026, as the capital structure of the Israeli Company involves ordinary shares and multiple series of preferred shares.

During the six months ended 30 June 2026, there was no acquisition of and disposal on the FVTOCI. The Group received a distribution in specie of 349,991 shares of the Israeli Company from the liquidation of its investment in an unlisted fund (Note 13). The shares received have been included in the financial assets at FVTOCI.

The Company engaged an independent professional valuer to measure the fair value of the unlisted equity securities as at 30 June 2026. Fair value gain of approximately RMB5.0 million (six months ended 30 June 2025: Fair value loss of approximately RMB78.4 million) was recognised in other comprehensive income during the six months ended 30 June 2026.

15. CASH AND CASH EQUIVALENTS

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Bank balances and cash	**7,223**	14,617
Denominated in RMB	**5,287**	11,265
Denominated in HK$	**1,830**	3,242
Denominated in US$	**106**	110

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

16. TRADE PAYABLES

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Trade payables	**23,378**	15,158

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

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
0 to 30 days	**11,626**	13,981
31 to 60 days	**273**	395
61 to 90 days	**4,362**	339
91 to 120 days	**1,139**	107
121 to 365 days	**4,317**	114
Over 1 year	**1,661**	222
	23,378	15,158

17. BANK BORROWINGS

	As at 30 June 2026 *RMB'000* **(unaudited)**	As at 31 December 2025 *RMB'000* (audited)
Bank loans *(Note)*	**20,000**	10,000
	20,000	10,000

Note: As at 30 June 2026, the effective interest rates of the interest-bearing bank borrowings was 3.12% (31 December 2025: 2.68%) per annum. Included in the total bank borrowings of RMB20 million is a secured bank borrowing of RMB10 million, which was secured by certain of the Group's property, plant and equipment with carrying amount of approximately RMB43.1 million (31 December 2025: Nil).

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

18. PROMISSORY NOTE

During the six months end 30 June 2026, the Company completed the acquisition of the entire issued share capital of Red Mont HK Limited ("**Red Mont**") (Note 21). The consideration of HK$40.8 million was satisfied by the issue of an interest-bearing promissory note by the Company.

The promissory note bear interest at 2% per annum and has a fixed term of 18 months from the date of issue. As at 30 June 2026, the promissory note payable amounted to HK$40.8 million (equivalent to approximately RMB35.4 million) and was classified as a non-current liability. Accrued interest of approximately RMB0.3 million was recognised as at 30 June 2026, resulting in a total carrying amount of approximately RMB35.7 million. Interest expense of approximately RMB0.3 million was recognised during the six months ended 30 June 2026.

19. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2026, the Group entered into certain transactions with "related parties" as defined under the applicable accounting standards and the details of the material related party transactions (the "**Transactions**") are disclosed as follows:

		Six months ended 30 June	
Name of related party	**Nature of transactions**	**2026**	2025
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
珠海經濟特區利佳電子發展有限公司 (transliterated as Zhuhai Special Economic Zone Lijia Electronics Development Co., Ltd)	Utility expense	**871**	689
珠海經濟特區利佳電子發展有限公司 (transliterated as Zhuhai Special Economic Zone Lijia Electronics Development Co., Ltd)	Rental expense	**186**	186
		1,057	875

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

20. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme

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

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

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

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

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

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

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

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

				Number of share options						
Date of grant	Vesting period	Exercisable period	Subscription price per Share *(HK$)*	Outstanding at 1 January 2025	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed or forfeited during the Period	Outstanding at 30 June 2025	Vested and exercisable at 30 June 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	1,782,500	–	–	–	(1,782,500)(Note 5)	–	–
				1,782,500	**–**	**–**	**–**	**(1,782,500)**	**–**	**–**

Notes:

1. 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.

2. Lapsed as the exercisable period has ended on 16 June 2026 or lapsed upon the resignation of employees.

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 2026.

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

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

During the six months ended 30 June 2026, the Company recognised expense for services rendered during the vesting period under the Share Option Scheme of approximately Nil (Six months ended 30 June 2025: expenses of approximately RMB2.9 million).

Share Award Scheme

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

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

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

As at 30 June 2026, 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 2026	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Forfeited during the Period	Outstanding at 30 June 2026	Vested and exercisable at 30 June 2026
Senior Management and other employees									
31/1/2024	31/1/2024–30/1/2025	6,210,000	—	(6,210,000)	—	—	—	—	—
		6,210,000	**—**	**(6,210,000)**	**—**	**—**	**—**	**—**	**—**

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

During the six months ended 30 June 2026, the Company recognised expense under the First Batch Share Award of approximately Nil (Six months ended 30 June 2025: approximately RMB0.3 million).

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

As at 30 June 2026, details of the interests of the employee participants of the Group in the Second Batch Share Award are set out below:

Date of grant	Vesting period	Outstanding at 1 January 2026 *(Note 1)*	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	Forfeited during the Period	Outstanding at 30 June 2026	Vested and exercisable at 30 June 2026
Directors of the Company									
4/12/2024	4/12/2024–3/12/2025	3,562,500	—	(3,562,500)	—	—	—	—	—
		3,562,500	**—**	**(3,562,500)**	**—**	**—**	**—**	**—**	**—**
Senior Management and other employees									
4/12/2024	4/12/2024–3/12/2025	78,300,000	—	(76,487,500)	(1,812,500)	—	—	—	—
		78,300,000	**—**	**(76,487,500)**	**(1,812,500)**	**—**	**—**	**—**	**—**
		81,862,500	**—**	**(80,050,000)**	**(1,812,500)**	**—**	**—**	**—**	**—**

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.

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

During the six months ended 30 June 2026, the Company recognised expense under the Second Batch Share Award of approximately Nil (Six months ended 30 June 2025: RMB17.6 million).

Employee Share Incentive Scheme

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

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

During the six months ended 30 June 2026, the Company did not recognise any expense under the Employee Share Incentive Scheme (six months ended 30 June 2025: Nil).

21. ACQUISITION OF ADDITIONAL INTERESTS IN A SUBSIDIARY

During the six months ended 30 June 2026, the Company completed the acquisitions of additional indirect equity interests of approximately 8.34% and 4.64% in Shenzhen Jiahong Semicondutor Company Limited ("**Shenzhen Jiahong**") through the acquisition of the entire issued share capital of Join Gain HK Limited ("**Join Gain**") and Red Mont respectively. Join Gain and Red Mont were not subsidiaries of the Group before the acquisitions and were immaterial intermediate holding companies whose principal assets were their respective equity interests in Shenzhen Jiahong. The total consideration for the acquisitions amounted to HK$73,388,000 and HK$40,816,000, respectively. The acquisition of Join Gain and Red Mont was completed on 29 January 2026 and 10 February 2026 respectively. Following completion of these acquisitions, the Group's interest in Shenzhen Jiahong increased from approximately 60.30% to approximately 73.28%. Shenzhen Jiahong remained an indirect non-wholly owned subsidiary of the Group after the acquisitions. The consideration of HK$73,388,000 was settled by the issue of 146,776,000 shares of the Company, while the consideration of HK$40,816,000 was settled by the issue of an interest-bearing promissory note in the principal amount of HK$40,816,000.

22. CAPITAL COMMITMENTS

As at 30 June 2026, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to approximately RMB 9.0 million (31 December 2025: approximately RMB9.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

HG Semiconductor Limited (the "**Company**", together with its subsidiaries, the "**Group**") is principally engaged in the design, development, manufacturing, subcontracting and sales of semiconductor products, including light-emitting diode ("**LED**") beads, new generation of semiconductor gallium nitride ("**GaN**") chips, and GaN device related application products in 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 semi-conductors and has gradually achieved business transformation. The Group has continued to propel its overall business development and accelerate the realisation of chip manufacturing and production capacity, with the aim to become a semiconductor integrated device manufacturing ("**IDM**") enterprise that spans the whole industry chain, including research and development, manufacturing, packaging and package testing, and sales, with a particular focus on semiconductor design and manufacturing, to capture market opportunities and to strive to become a leading third generation semiconductor supplier in the Greater China region.

INDUSTRY REVIEW

In the first half 2026, 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. The abovementioned had an impact on the demands 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 USD975 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 the first half of 2026, the Group continued to deploy the third-generation semiconductor industry chain while maintaining its solid foundation in initial LED bead business. The Group completed the production and commissioning of GaN epitaxial wafer equipment at the beginning of the Period and met the conditions for epitaxial wafer production. As the third-generation semiconductor business is still in the investment and R&D stage, the Group's revenue for the Period was 89.7% derived from the LED bead business and 10.3% derived from the GaN business. During the Period, the weak real estate and consumer electronics markets in China also affected the industrial chain of the Group's LED bead business. During the Period, revenue of the Group was approximately RMB51.6 million, representing an increase of approximately 55.9% as compared with that for the Previous Period, but gross profit decreased by approximately 12.5% to approximately RMB2.8 million.

During the Period, China's economic recovery was slow due to weak domestic demand, and external challenges including volatile Global environment, trade scrutiny, the continuous downturn of the real estate market sentiment and the lack of market confidence, which indirectly affected the Group's performance. The Group's revenue for the Period was approximately RMB51.6 million, representing an increase of approximately RMB18.5 million from approximately RMB33.1 million for the Previous Period. The loss for the Period attributable to owners of the Company was approximately RMB34.6 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 Développment, 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. Following the successful development of GaN epitaxial wafers, along with the upgrade of the Group's manufacturing plant in Xuzhou (the "**Xuzhou Factory**") and the production lines and machines being well in place, the Group's R&D team and experts will continue to focus on production research, aiming to accelerate the realization of Xuzhou Factory's production capacity.

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

Securing independent control of the chip sector has been elevated by the Chinese Government to the level of national key strategy so that the PRC can accelerate the pace of replacing imported components with domestic substitute products and in-dependent 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 Period, total revenue was approximately RMB51.6 million, representing an increase of approximately 55.9% as compared with that for the Previous Period (Previous Period: approximately RMB33.1 million). The increase was mainly attributable to the increase in revenue from the sales of LED products.

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

	Six months ended 30 June			
	2026		2025	
	RMB'000	*%*	*RMB'000*	*%*
	(unaudited)		(unaudited)	
LED Products	**46,324**	**89.7**	24,930	75.4
GaN and other semiconductor products	**5,299**	**10.3**	8,131	24.6
Total	**51,623**	**100.0**	33,061	100.0

For the Period, revenue from LED beads amounted to approximately RMB46.3 million (Previous Period: approximately RMB24.9 million), accounting for approximately 89.7% of the total revenue (Previous Period: approximately 75.4%). The increase in revenue was primarily driven by solid demand within high-value consumer electronics segments and successful sales and marketing campaigns. During the Period, the Group achieved a simultaneous increase in both the average selling price and total sales volume of our LED beads, effectively outperforming wider industry trends.

Revenue from GaN and other semiconductor products during the Period was approximately RMB5.3 million (Previous Period: approximately RMB8.1 million), accounting for approximately 10.3% of the total revenue (Previous Period: approximately 24.6%). The decrease was due to competitive disadvantages in pricing among large GaN manufacturers.

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 63.8% from approximately RMB29.8 million for the Previous Period to approximately RMB48.8 million for the Period, reflecting an increase in the sales volume of the LED 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 RMB3.2 million for the Previous Period to approximately RMB2.8 million for the Period. The gross profit margin decreased from approximately 9.7% for the Previous Period to approximately 5.4% for the Period. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	Six months ended 30 June			
	2026		2025	
	RMB'000	**%**	*RMB'000*	%
	(unaudited)		(unaudited)	
LED Products	**2,679**	**5.8**	2,359	9.7
GaN and other semiconductor products	**97**	**1.8**	855	10.5
Total	**2,776**	**5.4**	3,214	9.7

The gross profit margin of LED beads decreased from approximately 9.7% for the Previous Period to approximately 5.8% for the Period. Such decrease was mainly attributable to the increase in material cost of the LED beads.

The gross profit margin of GaN decreased from approximately 10.5% for the Previous Period to approximately 1.8% for the Period. Such decrease was mainly attributable to the decrease in the average selling price and increase in unit cost of the GaN.

Other Income, Gains and Losses, Net

Other income, gains and losses of the Group decreased by approximately 150.0% from approximately RMB0.4 million gain for Previous Period to approximately RMB0.2 million loss for the Period, which was mainly due to the decrease in Government grants from the PRC Government during the Period.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 14.3% from approximately RMB1.4 million for the Previous Period to approximately RMB1.6 million for the Period. The increase in selling and distribution expenses was mainly attributable to the increase in sundry expenses and entertainment expenses.

Administrative and Other Expenses

The Group's administrative and other expenses decreased by approximately 40.3% from approximately RMB65.7 million for the Previous Period to approximately RMB39.2 million for the Period. The administrative and other expenses mainly included administrative staff costs, research and development costs, professional services expenses and equity-settled share-based payment expenses. The decrease in administrative and other expenses was mainly due to the decrease in staff salaries, equity-settled share-base payment expenses, research and development costs.

The research and development costs of the Group were approximately RMB17.5 million for the Period (Previous Period: approximately RMB23.5 million).

Finance Costs

The Group's finance costs was approximately RMB0.7 million for the Period (Previous Period: approximately RMB2.3 million).

Income Tax Expense

Income tax expense of the Group for the Period was approximately RMB0.3 million (Previous Period: Nil).

Loss for the Period

The loss for the Period was approximately RMB41.0 million, as compared to a loss of approximately RMB66.0 million for the Previous Period. The decrease in loss for the Period was mainly attributable to the decrease in administrative and other expenses during the Period.

Net Margin

The Group recorded a negative net margin of approximately 79.5% for the Period, compared to that of a negative net margin of approximately 199.6% for the Previous Period. The decrease in negative net margin for the Period was mainly attributable to the decrease in administrative and other expenses during the Period.

DIVIDEND

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2026, the Group had net current assets of approximately RMB119.6 million (31 December 2025: approximately RMB181.2 million). The Group's current ratio (i.e. total current assets at the end of the period divided by total current liabilities at the end of the period) as at 30 June 2026 was approximately 2.4 (31 December 2025: approximately 4.7). The decrease was primarily due to the decrease in bank balances and financial assets at fair value through profit or loss ("**FVTPL**").

As at 30 June 2026, the Group had total cash and bank balances of approximately RMB7.2 million (31 December 2025: approximately RMB14.6 million).

Significant Investments, Future Plans for Material Investment and Capital Assets

VisIC Technologies Limited ("VisIC")

On 24 June 2021, the Company's wholly-owned subsidiary, FastSemi Holding Limited ("**FastSemi**"), acquired 349,992 series E preferred shares of VisIC, an unlisted company in Israel principally engaged in the development of GaN-related products, which include high-power transistors and modules, at the consideration of approximately US$5 million. On 23 August 2021, FastSemi further acquired 1,399,969 series E preferred shares of VisIC, at the consideration of approximately US$20 million. In 2021, the total number of shares acquired was 1,749,961 with an investment cost of approximately US$25 million. On February 17 2026, FastSemi received 349,991 shares of VisIC as in-kind redemption proceeds following the compulsory redemption and dissolution of PIH Capital SPC — Hightec SP2.

The total number of shares held as of 2,099,952 represented approximately 17.68% of the enlarged issued share capital of VisIC as at 30 June 2026. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB154.7 million as at 30 June 2026, representing approximately 28.0% of the Group's consolidated total assets as at 30 June 2026. Fair value gain of approximately RMB5.0 million was recognised through other comprehensive income during the Period. There was no dividends received from this investment for the Period. As VisIC is one of the largest players in the third-generation field of GaN devices, the Group plans to hold VisIC as a long-term investment.

Beijing Hongzhi Electric Technology Co., Ltd. ("Beijing Hongzhi")*

On 6 August 2021, the then Company's wholly-owned subsidiary, Xuzhou GSR Semiconductor Co., Ltd.* ("**Xuzhou GSR**"), invested in 10% of the ordinary shares of Beijing Hongzhi with a consideration of RMB15 million. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to zero as at 30 June 2026. No fair value gain or loss was recognised through other comprehensive income during the Period. There was no dividends received from this investment for the Period.

HighTec SP2 Fund (the "Fund")

In December 2021, FastSemi subscribed 4,000 shares of the Fund at a consideration of US$4 million. The Fund's investment strategies are principally to invest directly or through other investment vehicles in the equity securities of the world's leading semiconductor design and production companies, which include technology companies focusing on providing fast-charging solutions, R&D companies with technical knowledge and product experience, R&D companies focusing on power devices in electric vehicle applications, and technology companies focusing on high-power automotive solutions. In January 2022, FastSemi further subscribed 1,002.466 shares of the Fund at a consideration of approximately US$1 million. On 13 February 2026, the Fund held a total of 349,991 shares in VisIC Technologies Ltd ("**VisIC**") as its underlying asset (the "**Underlying Asset**"). Subsequently, on February 17 2026, the Fund compulsorily redeemed a total of 5,002.466 participating shares held by FastSemi, satisfying the redemption proceeds in-kind through the distribution of the Underlying Asset.

Such investment was classified as an equity instrument at fair value through profit or loss amounting to zero as at 30 June 2026. Fair value loss of approximately RMB7.2 million was recognised through profit or loss during the Period.

Save as disclosed above, as at 30 June 2026, the Group did not hold any significant investments, future plans for material investment and capital assets.

Material Acquisitions and Disposals

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**").

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. On 10 February 2026, the Company issued the Promissory Note, being the interest-bearing promissory note in the amount of HK$40,816,000, to Vendor B.

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

Capital Commitments

As at 30 June 2026, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to approximately RMB9.0 million (31 December 2025: approximately RMB9.2 million).

Charge on the Group's assets

As at 30 June 2026, a bank borrowing of RMB10.0 million was secured by certain of the Group's property, plant and equipment with a carrying value of approximately RMB43.1 million (31 December 2025: Nil).

Contingent Liabilities

As at 30 June 2026, 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 six months ended 30 June 2026, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 30 June 2026, the Group employed 165 employees (31 December 2025: 162 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB14.0 million for the Period (Previous Period: approximately RMB37.1 million). As at 30 June 2026, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years. Apart from basic remuneration, share options/share awards may be granted under the share option scheme/share award scheme of the Company to eligible employees by reference to the Group's performance as well as the individual's contribution. There was no share-based payment expenses included in the employee costs for the Period (Previous Period: approximately RMB20.8 million), in relation to the incentives provided under the Group's share option scheme, share award scheme and employee share incentive scheme. The Group will endeavor to ensure that the employees' salary levels are in line with industry practice and prevailing market conditions and that employees' overall remuneration is determined based on the performance of the Company and the employees.

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 con-duct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). The Company had also made specific enquiry of all the Directors and the Company is not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by the Directors during the Period.

Corporate Governance and Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Board is satisfied that the Company had complied with the CG Code during the Period.

Audit Committee and Review of Accounts

The audit committee of the Company (the "**Audit Committee**") has discussed and reviewed with the management of the Group, the unaudited condensed consolidated financial statements of the Group for the Period, which was of the opinion that such statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. The Audit Committee comprises three independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen. Mr. Zou Haiyan is the chairman of the Audit Committee who has appropriate professional qualifications and experience as required by the Listing Rules.

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

Hong Kong, 31 August 2026

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

* *For identification purpose only*