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HG SEMICONDUCTOR LIMITED
宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

Year ended 31 December (RMB'000)	2024	2023	Percentage Change
Revenue	**75,282**	88,600	–15.0%
Cost of sales	**(67,491)**	(80,068)	–15.7%
Gross profit	**7,791**	8,532	–8.7%
Loss before income tax	**(178,477)**	(160,509)	11.2%
Net loss	**(183,076)**	(157,573)	16.2%
Loss per share (RMB)	**(0.1970)**	(0.2232)	–11.7%
Total assets	**629,614**	764,886	–17.7%
Total equity	**577,789**	720,610	–19.8%
Key Financial Ratios			
Gross profit margin (%)	**10.3**	9.6	
Current ratio	**5.2**	8.2	
Gearing ratio (%)	**1.7**	1.4	

ANNUAL RESULTS

The board (the "**Board**") of Directors (the "**Directors**") of HG Semiconductor Limited (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** ***RMB'000***	2023 *RMB'000*
Revenue	*5*	**75,282**	88,600
Cost of sales		**(67,491)**	(80,068)
Gross profit		**7,791**	8,532
Other income and gains	*5*	**8,122**	4,838
Selling and distribution expenses		**(3,441)**	(5,178)
Administrative and other expenses		**(114,944)**	(96,648)
Provision on expected credit losses on trade and bills receivables and other receivables	*11, 12*	**(42,918)**	(1,325)
Loss arising on financial liabilities extinguished		**—**	(11,690)
Impairment loss of property, plant and equipment		**(11,466)**	(6,371)
Impairment loss of intangible assets		**(3,981)**	(44,496)
Impairment loss of assets classified as held for sale	*16*	**(16,552)**	—
Finance costs	*7*	**(1,088)**	(8,171)
Loss before income tax	*6*	**(178,477)**	(160,509)
Income tax (expense)/credit	*8*	**(4,599)**	2,936
Loss for the year		**(183,076)**	(157,573)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation to presentation currency		**10,177**	(3,516)
Change in fair value of financial assets at fair value through other comprehensive income		**(32,664)**	25,574
Tax related to items that will not be reclassified		**2,308**	1,442
Total comprehensive income for the year		**(203,255)**	(134,073)

	Note	2024 RMB'000	2023 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(156,819)**	(150,723)
Non-controlling interests		**(26,257)**	(6,850)
		(183,076)	(157,573)
Total comprehensive income attributable to:			
Owners of the Company		**(173,748)**	(126,278)
Non-controlling interests		**(29,507)**	(7,795)
		(203,255)	(134,073)
			(restated)
Loss per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	*9*	**(19.70)**	(22.32)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**189,979**	189,110
Intangible assets		**448**	5,202
Financial assets at fair value through OCI		**181,926**	224,439
Prepayments and deposits	*12*	**1,411**	15,888
Deferred tax assets		**4,186**	6,431
		377,950	441,070
Current assets			
Inventories		**59,018**	48,788
Trade and bills receivables	*11*	**67,242**	68,693
Prepayments, deposits and other receivables	*12*	**81,994**	106,056
Financial assets at fair value through profit or loss		**34,631**	34,440
Cash and cash equivalents		**8,779**	49,287
		251,664	307,264
Assets classified as held for sale	*16*	**—**	16,552
		251,664	323,816
Current liabilities			
Trade payables	*13*	**19,347**	11,018
Other payables and accruals		**15,824**	16,576
Bank and other borrowings	*14*	**10,000**	10,000
Lease liabilities		**3,036**	1,829
Tax payable		**—**	25
		48,207	39,448
Net current assets		**203,457**	284,368

	Note	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Lease liabilities		**3,618**	4,828
		3,618	4,828
Net assets		**577,789**	720,610
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**6,664**	6,664
Reserves		**534,173**	677,066
		540,837	683,730
Non-controlling interests		**36,952**	36,880
Total equity		**577,789**	720,610

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 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, as at 31 December 2024, 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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2024

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendment to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period and on accounting policies. The Group has not applied any new and revised HKFRSs that are not yet effective for the current period.

(b) Amendments to HKFRSs that have been issued but are not yet effective

The following amendments to HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature–dependent Electricity[2]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these amendments to HKFRSs upon initial application. Up to now, the Group is still evaluating the impact on the presentation and disclosures in the Group's financial statements due to adoption of HKFRS 18 in future and considers that other amendments to HKFRSs will not have a significant impact on the Group's financial performance and financial position.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the 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.

4. 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:

	2024			2023		
	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*
Segment revenue	**73,922**	**1,360**	**75,282**	85,646	2,954	88,600
Segment result	**(34,335)**	**(114,669)**	**(149,004)**	(14,126)	(96,926)	(111,052)
Other unallocated						
Income and gains			**33**			1,009
Loss arising on financial liabilities extinguished			**—**			(11,690)
Administrative expenses			**(29,491)**			(35,912)
Finance costs			**(15)**			(2,864)
Loss before income tax			**(178,477)**			(160,509)

Segment assets and liabilities

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

	2024			2023		
	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*
Segment assets	**159,494**	**464,347**	**623,841**	185,365	551,966	737,331
Corporate and other unallocated assets *(Note)*			**5,773**			27,555
Total assets			**629,614**			764,886
Segment liabilities	**(31,211)**	**(13,108)**	**(44,319)**	(22,762)	(9,695)	(32,457)
Corporate and other unallocated liabilities *(Note)*			**(7,506)**			(11,819)
Total liabilities			**(51,825)**			(44,276)

Other segment information:

	LED products	**GaN and other semiconductor products**	**Total**	LED products	GaN and other semiconductor products	Total
Depreciation charge						
— Owned property, plant and equipment	**(4,152)**	**(8,946)**	**(13,098)**	(3,674)	(3,530)	(7,204)
— Right-of-use-assets	**(246)**	**(1,334)**	**(1,580)**	(326)	(1,334)	(1,660)
Amortisation of intangible assets	**(1,022)**	**(138)**	**(1,160)**	(1,022)	(4,046)	(5,068)
Provision of expected credit loss on trade and bills receivables	**(8,918)**	**(34,000)**	**(42,918)**	(1,325)	—	(1,325)
Write down on inventories	**—**	**—**	**—**	—	(1,908)	(1,908)
Impairment loss of property, plant and equipment	**(11,466)**	**—**	**(11,466)**	(6,371)	—	(6,371)
Impairment loss of intangible assets	**(3,981)**	**—**	**(3,981)**	(1,629)	(42,867)	(44,496)
Impairment loss of assets classified as held for sale	**—**	**(16,552)**	**(16,552)**	—	–	—
Fair value loss on financial asset	**—**	**(785)**	**(785)**	—	(311)	(311)

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.

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:

	2024 *RMB'000*	2023 *RMB'000*
Client A	**19,704**	24,092
Client B	**10,341**	21,967
Client C	**8,669**	N/A*

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

5. REVENUE, OTHER INCOME AND GAINS

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 2024 and 2023, there were no rebate, discount, warranties and return on revenue.

	2024 *RMB'000*	2023 *RMB'000*
Revenue recognised at a particular point in time		
Sales of LED beads	**73,922**	85,646
Sales of GaN and fast-charging products	**1,360**	2,954
	75,282	88,600
Other income and gains		
Bank interest income	**45**	71
Government grants *(Note)*	**4,614**	3,037
Gain on disposal of property, plant and equipment	**495**	—
Other income	**2,968**	1,730
	8,122	4,838

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.

6. LOSS BEFORE INCOME TAX

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

	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**53,429**	66,888
Depreciation charge:		
— Owned property, plant and equipment	**13,100**	7,211
— Right-of-use-assets included in property, plant and equipment	**2,398**	6,247
Amortisation of intangible assets, included in cost of sales	**1,160**	5,068
Write down on inventories	**—**	1,908
Auditor's remuneration	**1,290**	1,419
Fair value loss of financial assets at fair value through profit or loss	**785**	311
Research and development costs, included in administrative and other expenses	**23,961**	19,620
Employee costs (including Directors' remuneration)		
— Wages, salaries and other benefits	**21,574**	28,436
— Contribution to defined contribution pension plans	**2,497**	2,760
— Share-based payment	**35,325**	3,849
Exchange loss, net	**—**	206
(Gain)/loss on disposal of property, plant and equipment	**(495)**	3,644

7. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on borrowings	**348**	6,982
Interest on lease liabilities	**740**	1,189
	1,088	8,171

8. INCOME TAX EXPENSE/(CREDIT)

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 2024 and 2023. For the year ended 31 December 2024, 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 (2023: Nil).

Corporate income tax is charged on a subsidiary operating in United States of America ("**USA**") at a rate of 21% (2023: 21%) on taxable income for the year ended 31 December 2024.

In 2022, the Group's wholly-owned subsidiary, Zhuhai Hongguang Semiconductor Company Limited ("**Zhuhai Hongguang**") has successfully renewed the "New and High Technology Enterprise Certificate" (高新技術企業證書) for three years commencing from 1 January 2022. Pursuant to the relevant PRC enterprise income tax law, regulations and implementation guidance notes, Zhuhai HongGuang is entitled to a tax preference with a reduction of the enterprise income tax ("**EIT**") rate from 25% to 15%. The expiry date of Zhuhai Hongguang's New and High Technology Enterprise Certificate is 31 December 2024.

	2024	2023
	RMB'000	*RMB'000*
Current income tax — HK		
— Tax for the year	**46**	—
Current income tax — USA		
— Under-provision in prior year	**—**	6
Deferred tax	**4,553**	(2,942)
	4,599	(2,936)

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

	2024	2023
	RMB'000	*RMB'000*
Loss before income tax expense/(credit)	**(178,477)**	(160,509)
At the PRC's statutory enterprise income tax rate of 25% (2023: 25%)	**(44,619)**	(40,127)
Effect of preferential of EIT rate to 15% (2023: 15%)	**—**	1,413
Effect of different tax rates of subsidiaries operating in other jurisdiction	**4,291**	8,524
Effect of non-deductible expenses	**14,174**	15,967
Effect of non-taxable income	**(1,154)**	(759)
Under provision in respect of prior year	**—**	6
Tax loss not recognised	**31,907**	12,040
Income tax expense/(credit)	**4,599**	(2,936)

9. LOSS PER SHARE

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

	2024	2023
	RMB'000	*RMB'000*
		(restated)
		(note (i))
Loss		
Loss for the year attributable to owners of the Company	**(156,819)**	(150,723)
Number of shares		
Weighted average number of ordinary Shares for the purpose of basic loss per share	**796,118,072**	675,427,669
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	**796,118,072**	675,427,669

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 during the year.

The weighted average number of ordinary Shares for the years ended 31 December 2024 and 2023 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 which was completed on 7 February 2025 (see Note 15).

(ii) For the years ended 31 December 2024 and 2023, the potential ordinary Shares to be issued from the exercise of the share options were not included in the calculation of loss per share as their inclusion would be anti-dilutive.

10. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2024 and 2023.

11. TRADE AND BILLS RECEIVABLES

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

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**54,267**	61,529
Bills receivable	**12,975**	7,164
	67,242	68,693

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. 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.

	2024	2023
	RMB'000	*RMB'000*
0 to 30 days	**34,573**	25,067
31 to 60 days	**8,858**	6,718
61 to 90 days	**6,719**	7,115
91 to 120 days	**4,945**	8,420
121 to 365 days	**7,264**	7,025
Over 1 year	**20,270**	20,817
	82,629	75,162
Less: Impairment of trade and bills receivables	**(15,387)**	(6,469)
	67,242	68,693

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Other receivables *(Note i)*	**36,490**	68,172
Prepayments and deposits *(Note ii)*	**46,915**	53,772
	83,405	121,944
Less: non-current portion		
Prepayments and deposits *(Note iii)*	**(1,411)**	(15,888)
Current portion	**81,994**	106,056

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

Notes:

(i) The amount previously included receivables from a non-controlling interest (the "**Investor**") amounted to approximately RMB45,000,000 (2023: 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. 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**"). As at 31 December 2024, the fair value of the Relevant Equity Interests was approximately RMB11,000,000. Therefore, impairment loss of RMB34,000,000 in respect of the Remaining Investment Amount is recognised during the year ended 31 December 2024.

(ii) The amount includes the prepayment to the independent third parties suppliers amounting to approximately RMB42,792,000 (2023: approximately RMB35,251,000) for the purchase of raw material and the prepayment disclosed in note (iii) below.

(iii) The amount includes the prepayment of approximately RMB1,411,000 for the purchase of machinery (2023: RMB15,888,000 for purchase of machinery). The machinery was delivered to the Company subsequent to the year end date.

13. 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:

	2024	2023
	RMB'000	*RMB'000*
0 to 30 days	**7,364**	4,088
31 to 60 days	**4,273**	3,088
61 to 90 days	**2,852**	1,830
91 to 120 days	**1,283**	1,140
121 to 365 days	**1,718**	644
Over 1 year	**1,857**	228
	19,347	11,018

14. BANK AND OTHER BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
Bank loans — unsecured *(Note)*	**10,000**	10,000

Notes:

As at 31 December 2024, the effective interest rates of the unsecured interest – bearing bank loans were 3.35% (2023: 3.75%) per annum.

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

15. SHARE CAPITAL

	Number of ordinary shares	*RMB'000*
Issued and fully paid:		
At 1 January 2023	581,601,000	5,098
Placement of new shares *(Note (i))*	40,000,000	367
Issued for debt settlement *(Note (ii))*	129,453,785	1,199
At 31 December 2023, 1 January 2024 and 31 December 2024	751,054,785	6,664

Notes:

(i) An aggregate of 40,000,000 shares have been successfully placed on 13 June 2023 to not less than six placees at the share price of HK$0.90 per share.

(ii) On 31 May 2023, the Group entered into a settlement agreement (the "**Settlement Agreement**") with Jovial Star International Limited (the "**Creditor**"), pursuant to which the Company allotted and issued a total of 129,453,785 Shares (the "**New Shares**") at the price of HK$0.80 per share to extinguish the entire loan balance with the Creditor of approximately HK$103,563,000 (equivalent to approximately RMB95,899,000) (the "**Indebted Sum**"). The completion of the Settlement Agreement and the issuance of the New Shares for the capitalisation of the Indebted Sum took place on 23 August 2023 (the "**Completion Date**") and the aggregate outstanding principal and the interests of the Indebted Sum were fully settled accordingly.

Based on the closing price of the shares on the Completion Date, the total cost of the New Shares issued by the Company was approximately HK$116,508,000 (equivalent to approximately RMB107,886,000). The difference between the total cost of the New Shares issued by the Company and the Indebted Sum was recognised as a loss arising on financial liabilities extinguished of approximately RMB11,690,000 in the profit or loss of the year ended 31 December 2023.

(iii) On 12 November 2024, the Company announced to raise gross proceeds of up to approximately HK$90.1 million before expenses by way of a rights issue (the "**Rights Issue**") by issuing up to 187,763,696 new Shares ("**Rights Share(s)**") (excluding the new Shares that may be allotted and issued upon the full exercise of the vested share options of the Company) 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 and 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. Details of the Rights Issue are set out in the prospectus of the Company dated 31 December 2024.

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2023, the Group entered into a memorandum of understanding (the "**MOU**") to dispose of the entire equity interest in Fast Charging Limited to a potential buyer for cash (the "**Potential Disposal**"). Fast Charging Limited 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 was expected that the Potential Disposal would be completed by the end of the first half of 2024. As a result, the technology know-how had 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 dispose of the technology know-how to independent third parties. As of 31 December 2024, no potential buyers were identified. As a result, the management of the Group determined that the sale of the technology know-how was not highly probable and the management of the Group ceased to classify the technology know-how as asset held for sale since 31 December 2024 (the "**Ceases Date**"). As a result, the technology know-how, previously classified as assets held for sale, has been reclassified as intangible asset of the Group 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.

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.

An impairment loss of RMB16,552,000 (2023: RMB42,867,000) 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	The higher the discount rate, the lower the valuation
		Growth rate	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. (2023: 25.02% to 177.86%).

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%. (2023: 29.70%).

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%. (2023: 3%).

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the year ended 31 December 2024 (the "**Year**" or "**2024**"), together with the comparative figures for the corresponding year ended 31 December 2023 (the "**Previous Year**" or "**2023**").

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 year of 2024, 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 data released by the Semiconductor Industry Association ("**SIA**"), China is the largest semiconductor 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 Fall 2024 Semiconductor Market Forecast released by the World Semiconductor Trade Statistics ("**WSTS**"), WSTS has adjusted its Fall 2024 forecast upwards to a 19.0 percent growth in the global semiconductor market compared to the previous year. The updated market valuation for 2024 is estimated at US$627 billion. Looking ahead to 2025, WSTS forecasts a 11.2 percent growth in the global semiconductor market, reaching an estimated valuation of US$697 billion.

In the year of 2024, the trade war on semiconductor chip between China and the United States continued to heat up. The United States successively imposed export control sanctions on Chinese enterprises involved in manufacturing semiconductor chips and related technologies, and restricted the sales of high-end chips by United States enterprises to China, so as to curb the development of China's semiconductor industry. Subsequently, the Netherlands and Japan also reached agreements with the United States to implement export control measures on semiconductor manufacturing equipment such as extreme ultraviolet (EUV) lithography, deep ultraviolet (DUV) lithography, and chemical materials, etc., to restrict the export of such equipment to China, jointly curbing the development of China's semiconductor chip manufacturing industry. 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 semiconductor 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, 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. Although the consumer electronics sector continues to be sluggish, new energy and new energy vehicles will bring sustained application space for GaN. In terms of new energy, in 2024, energy investment maintained rapid growth, with the completed investment in new energy increasing year-on-year by over 20%. 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 2024, the production and sales of new energy vehicles in China reached 12.888 million units and 12.866 million units respectively, representing year-on-year growth of 34.4% and 35.5% respectively, with a market share of 40.9%. Among the main varieties of new energy vehicles, the production and sales of the three major categories of new energy vehicles have shown significant growth compared with the Previous Year.

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

During the Year, 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 mainly derived from the LED bead 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, the revenue was approximately RMB75.3 million, representing a decrease of approximately 15% as compared with that for the last year, but gross profit decreased by approximately 9% to approximately RMB7.8 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 RMB75.3 million, representing a decrease of approximately RMB13.3 million from approximately RMB88.6 million for the Previous Year. The loss for the Year attributable to owners of the Company was approximately RMB156.8 million.

GaN epitaxial wafer R&D and production breakthrough boost up the development of third-generation semiconductor industry chain

In the past year, the Group's team has devoted its efforts in developing the new GaN business in the third-generation semiconductor industry by enhancing its core equipment and various R&D and production facilities, including the upgrade of its semiconductor factory in the Xuzhou Economic and Technological Development Zone (徐州經濟技術開發區), Jiangsu Province, PRC ("**Xuzhou Factory**"), covering an area of over 7,000 square meters. Currently, the Group has installed two production lines in the Xuzhou Factory for the epitaxial wafer production such as GaN-related products, and has completed the installation of equipment and production testing, which put the Group in a position to produce epitaxial wafers. In addition, the core machines imported from Europe and Japan have been delivered to the Xuzhou Factory and are ready for semiconductor chips manufacturing to meet the market needs. The Group will continue to expand its production capacity and upgrade its technologies, and actively improve its factory efficiency and quality control.

Moreover, with the efforts of the Group's scientist team and strong R&D capabilities, the Group has basically completed the installation and commissioning of the semiconductor chip production line and other preparatory work on the basis of successful production of its own 6-inch GaN power device epitaxial wafer, which is well-prepared for the production of semiconductor chip products in the near future. The manufacturing process of GaN chips is complex and involves different stages. The Group's success in manufacturing the epitaxial wafers is well ahead of the expected schedule, representing an important achievement in the Group's transformation into a third-generation semiconductor supplier, and paving the way for mass production of GaN chips. As the Group's aim of R&D, manufacturing and implementation of GaN third-generation semiconductors has been accomplished and the Group would devote efforts towards the production of epitaxial wafer, the Group is confident that its hard work will pay off in the foreseeable future.

Orderly development of GaN epitaxial wafer production and chip research and development to improve the layout of the third-generation semiconductor industry chain

During the Year, through persistent strategies, the Group continued to upgrade the core equipment of the Xuzhou Factory and promoted the development of the third-generation semiconductor GaN business at full speed. Following the nine utility model and appearance patents obtained last year, including GaN based inverters and power supply modules, the Group also obtained seven utility model and appearance patents during the Year.

With the unremitting efforts of the team of scientists, strong in-house research and development capabilities, and product development experience of over decades, the Group has successfully installed production lines for the production of GaN related products. At present, the Group is actively exploring sales with customers, expanding sales channels through the sales team, striving to form a new layout of development of the entire industry chain. In addition, the Group had completed the production and commissioning of GaN epitaxial wafer equipment at the beginning of 2024 and met the conditions for 6-inch epitaxial wafer production in the Xuzhou Factory. The Xuzhou Factory 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. The Xuzhou Factory is currently conducting research and development of 8-inch epitaxial wafers, a new product line, and it is expected to achieve mass production in the first half of 2025. The products of the Xuzhou Factory are positioned in medium and high power chips. In the last quarter of 2024, the GaN chip products have entered into the tape-out stage and are expected to pass reliability testing and be launched on the market in 2025. The Group with its determination to cultivate the GaN chip field, and believes that by continuously improving and optimising its management model, it will gradually move towards the harvest period in the near future.

Building a world-class scientific research team with scientific research and innovation as the core value of the Company

The rapid growth in the number of third-generation semiconductor enterprises has led to increasingly fierce competition for outstanding technical talents in the industry. In view of this, the Group has always adhered to the people-oriented principle and firmly believes that excellent scientific research leaders are necessary to secure innovation and technological progress. The Group is committed to the construction of scientific research teams and strive to build a world-class scientific research team.

The members of the Board comprise talents from different fields. They have extensive experience in corporate financial planning, financial market, asset management and investment banking. The Group believes that their extensive and valuable experience accumulated through years of practice will definitely bring new perspectives to the Group's strategic layouts.

In terms of scientific research and innovation, the Group has recruited scientists with knowledge of cutting-edge technologies in the industry. They have more than decades of mature experience in semiconductor research, development and production. The Group believes that their recruitment will greatly enhance the Group's scientific research capabilities, fortifying its technologies capabilities and effectively empower the Group to enhance its own competitive advantages and industrial adaptability, thereby improving and consolidating its position in the industry. In order to maintain its leading position, the Group will spare no effort to continue to identify top experts in the industry in the future and strive to expand its semiconductor research and technology team to further improve the third-generation semiconductor GaN industry chain.

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 market analysis firm Yole Développment's prediction, 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 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 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 semiconductor 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 RMB75.3 million, representing a decrease of approximately 15.0% as compared with that for the Previous Year (2023: approximately RMB88.6 million). The decrease was mainly attributable to the decrease in revenue from the sales of LED products.

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

	2024		2023	
	RMB'000	***%***	*RMB'000*	*%*
LED products	**73,922**	**98.2**	85,646	96.7
GaN and other semiconductor products	**1,360**	**1.8**	2,954	3.3
Total	**75,282**	**100.0**	88,600	100.0

For the Year, revenue from LED products amounted to approximately RMB73.9 million (2023: approximately RMB85.6 million), accounting for approximately 98.2% of the total revenue (2023: approximately 96.7%). The decrease in revenue was mainly due to the decrease in the sales volume and the average selling price of LED beads during the Year, as consumer confidence has continued to fall short of pre-pandemic level. 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 RMB1.4 million (2023: approximately RMB3.0 million), accounting for approximately 1.8% of the total revenue (2023: approximately 3.3%).

Cost of Sales

Cost of sales of the Group primarily consisted of cost of material used, direct labour and production overheads. It decreased by approximately 15.7% from approximately RMB80.1 million for the Previous Year to approximately RMB67.5 million for the Year, reflecting a decrease in the sales volume of the LED products, which mainly led to the decrease in the cost of material used.

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately RMB8.5 million for the Previous Year to approximately RMB7.8 million for the Year. The gross profit margin increased from approximately 9.6% for the Previous Year to approximately 10.3% for the Year. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	2024		2023	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
LED products	**7,833**	**10.6**	11,754	13.7
GaN and other semiconductor products	**(42)**	**(3.1)**	(3,222)	(109.1)
Total gross profit/gross profit margin	**7,791**	**10.3**	8,532	9.6

The gross profit margin of LED products decreased from approximately 13.7% for the Previous Year to approximately 10.6% for the Year. Such decrease was mainly attributable to the decrease in the average selling price of the LED beads.

Other Income and Gains

Other income and gains of the Group increased by approximately 68.8% from approximately RMB4.8 million for the Previous Year to approximately RMB8.1 million for the Year, which was mainly due to the increase in government grants from the PRC Government during the Year.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately 34.6% from approximately RMB5.2 million for the Previous Year to approximately RMB3.4 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 increased by approximately 18.9% from approximately RMB96.6 million for the Previous Year to approximately RMB114.9 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 increase in administrative and other expenses was mainly due to the increase in equity-settled share-based payment expenses.

The equity-settled share-based payment expenses were approximately RMB35.3 million for the Year (Previous Year: approximately RMB3.8 million). The increase in equity-settled share-based payment expenses was mainly attributable to the expense of approximately RMB25.3 million recognised during the Year in relation to the Group's Employee Share Incentive Scheme (Previous Year: nil).

The research and development costs were approximately RMB24.0 million for the Year (Previous Year: approximately RMB19.6 million).

Finance Costs

The Group's finance costs were approximately RMB1.1 million for the Year (Previous Year: approximately RMB8.2 million). The decrease in finance costs was mainly attributable to the decrease in the amount of loan drawn down by the Group during the Year.

Income Tax Expense/Credit

Income tax expense of the Group for the Year was approximately RMB4.6 million (Previous Year: income tax credit of approximately RMB2.9 million).

Loss for the Year

The loss for the Year was approximately RMB183.1million, as compared to a loss of approximately RMB157.6 million for the Previous Year. The increase in loss for the Year was mainly attributable to the one-off increase in provision on expected credit losses on trade and bills receivables and other receivable mainly as a result of the provision made in relation the Remaining Investment Amount to Shenzhen Jiahong, details of which are set out in Note 12 of the consolidated annual results of the Group for the Year in this announcement.

Net Margin

The Group recorded a negative net margin of approximately 243.2% for the Year, compared to that of a negative net margin of approximately 177.8% for the Previous Year. The worsened net margin for the Year was mainly attributable to the one-off increase in provision on expected credit losses on trade and bills receivables and other receivables as mentional above.

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 RMB69.7 million as compared to that of approximately RMB23.2 million for the Previous Year, primarily due to the increase in inventories.

As at 31 December 2024, the Group had net current assets of approximately RMB203.5 million (31 December 2023: approximately RMB284.4 million).

As at 31 December 2024, the Group had total cash and bank balances of approximately RMB8.8 million (31 December 2023: approximately RMB49.3 million). The decrease in total cash and bank balances was mainly due to an increase in net cash flows used in operating activities.

As at 31 December 2024, the total available loan facilities of the Group were RMB10.0 million (31 December 2023: RMB10.0 million). The total drawn down of the loan facilities as at 31 December 2024 was RMB10.0 million (31 December 2023: RMB10.0 million).

The share capital of the Company comprises only ordinary shares. As at 31 December 2024, the equity attributable to owners of the Company amounted to approximately RMB540.8 million (2023: approximately RMB683.7 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%) decreased from approximately –21.9% for the Previous Year to approximately –31.7% for the Year. Such decrease was mainly attributable to the increase in provision on expected credit losses on trade and bills receivables and other receivables.

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%) decreased from approximately –20.6% for the Previous Year to approximately –29.1% for the Year. Such decrease was mainly attributable to the increase in provision on expected credit losses on trade and bills receivables and other receivables.

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) decreased from approximately 8.2 times as at 31 December 2023 to approximately 5.2 times as at 31 December 2024, primarily due to the decrease in cash and cash equivalents.

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 2024 was approximately 1.7% (31 December 2023: approximately 1.4%).

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. The total number of shares acquired represented approximately 17.38% of the enlarged issued share capital of VisIC as at 31 December 2024. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB181.9 million as at 31 December 2024, representing approximately 28.9% of the Group's consolidated total assets as at 31 December 2024. Fair value loss of approximately RMB22.2 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 2024. Fair value loss of approximately RMB10.6 million was recognised through other comprehensive income during the Year. There was no dividends received from this investment for the Year.

GaN Systems Inc. ("GaN Systems")

On 30 November 2021, FastSemi acquired 206,367 series F-2 preferred shares of GaN Systems, a Canadian company principally engaged in the development of a broad range of GaN-related products, which include high current GaN power semiconductors, at a consideration of approximately US$1.75 million, representing approximately 0.37% of the total issued share capital of GaN Systems as at 31 December 2023.

In March 2024, FastSemi has completed the sale of 206,367 series F-2 preferred shares of GaN Systems at a consideration of approximately US$2.4 million. Fair value gain of approximately RMB103,000 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 US$4 million. The Fund's investment strategies are principally to invest directly or through other investment vehicles in the equity securities of the world's leading semiconductor design and production companies, which include technology companies focusing on providing fast-charging solutions, R&D companies with technical knowledge and product experience, R&D companies focusing on power devices in electric vehicle applications, and technology companies focusing on high-power automotive solutions.

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

Such investment was classified as a financial instrument at fair value through profit or loss amounting to approximately RMB34.6 million as at 31 December 2024, representing approximately 5.5% of the Group's consolidated total assets as at 31 December 2024. Fair value loss of approximately RMB785,000 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 2024, 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 Target Company (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 to the Capital Injection Agreement.

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

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

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

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

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

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

Capital Commitments

As at 31 December 2024, the Group has capital commitments for the acquisition of property, plant and equipment, the amount contracted for was approximately RMB18.0 million (31 December 2023: approximately RMB5.3 million).

Charge on the Group's assets

As at 31 December 2024 and 31 December 2023, the Group did not have any charge on its assets.

Contingent Liabilities

As at 31 December 2024, 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 2024, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2024, the Group employed 161 employees (31 December 2023: 158 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB59.4 million for the Year (Previous Year: approximately RMB35.0 million). As at 31 December 2024, 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 RMB35.3 million (Previous Year: approximately RMB3.8 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 the employees' overall remuneration is determined based on the performance of the Company and the employees.

2024 Rights Issue

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

Use of Proceeds

Placing of New Shares under General Mandate

(1) *Placing on 13 June 2023*

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 23 May 2023, the Company entered into a placing agreement with VC Brokerage Limited in relation to the placing of a maximum of 40,000,000 new ordinary Shares of HK$0.01 each in the share capital of the Company at a price of HK$0.9 per Share (the "**June 2023 Placing**"). The closing price for the Shares on 22 May 2023 (being the last trading day prior to the date of signing the placing agreement) was HK$1.06 per Share. On 13 June 2023, the June 2023 Placing was completed and the Company issued and allotted an aggregate of 40,000,000 new ordinary shares to not less than six independent third parties. The net price for such Shares was approximately HK$0.88 per Share and the aggregate nominal value of such Shares was HK$400,000. The June 2023 Placing generated net proceeds of approximately HK$35.1 million (the "**June 2023 Placing Proceeds**"). Details of the June 2023 Placing were set out in the Company's announcements dated 23 May 2023 and 13 June 2023.

As at 31 December 2024, the Group's planned application and the actual utilisation of the June 2023 Placing Proceeds are set out below:

	Net proceeds *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*
Strengthening research and development capabilities	17.55	17.55	—
Provision of general working capital	17.55	17.55	—
	35.1	35.1	—

The June 2023 Placing Proceeds have been fully utilised as at 31 December 2024.

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.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors. The Company had also made specific enquiry of all the Directors and the Company is not aware of any non-compliance with the Model Code regarding securities transactions by the Directors for the Year.

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 for the Year.

Non-compliance and Re-compliance with Rules 3.10(1), 3.10A and 3.21 of Listing Rules

Mr. Li Yang, was re-designated from an independent non-executive Director to an executive Director with effect from 9 February 2024. In light of the above re-designation, the Company was not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three independent non-executive Directors; (ii) Rule 3.21 of Listing Rules, which requires that the audit committee of the Board (the "**Audit Committee**") shall comprise non-executive Directors only and have a minimum of three members; and (iii) Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive Directors shall represent at least one-third of the Board.

Following the appointment of Ms. Liu Wanwen as an independent non-executive Director and a member of the Audit Committee on 8 May 2024, the Company has three independent non-executive Directors, representing one-third of the Board, and the Audit Committee comprises the three independent non-executive Directors. Such number and composition of independent non-executive Directors and of the Audit Committee comply with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

Event After the Reporting Period

On 18 March 2025, the Company entered into a non-legally binding memorandum of understanding with Mr. Lai Zelian* (賴澤聯先生) and Nanning Industrial Investment Emerging No. 1 Investment Fund Partnership (Limited Partnership)* (南寧產投新興一號投資基金合夥企業(有限合夥)) in relation to the intentions of the parties concerning the possible acquisition of not less than 19.99% and not exceeding 29.99% of the equity interests of Shenzhen Huaxinbang Technology Company Limited* (深圳市華芯邦科技有限公司). For details, please refer to the Company's announcement dated 18 March 2025.

Save as disclosed above, as at the date of this announcement, the Board is not aware of any important event affecting the Group after the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the members' entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on 28 May 2025, the register of members will be closed from Friday, 23 May 2025 to Wednesday, 28 May 2025, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 22 May 2025.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The Audit Committee has discussed and reviewed with management and the Group's auditor, BDO Limited, the annual consolidated financial statements of the Group for the Year. 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.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 28 March 2025

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 illustration purpose, above amounts in US$ have been translated into RMB at the rate of US$1 = RMB7.091.

* *For illustration purposes only*