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HG SEMICONDUCTOR LIMITED

宏光半導體有限公司

(formerly known as HongGuang Lighting Holdings Company Limited 宏光照明控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

PROFIT WARNING

This announcement is made by HG Semiconductor Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) would like to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on a preliminary review of the Group’s latest unaudited consolidated management accounts for the year ended 31 December 2021 (the “**Year**”), and the information currently available to the Board, the Group expects to record a loss of approximately RMB447 million for the Year, as compared to a net profit of approximately RMB4.6 million for the year ended 31 December 2020 (the “**Previous Year**”).

The Board considers that the expected loss for the Year was primarily attributable to the (i) loss on acquisition of intangible assets of approximately RMB374.4 million and (ii) recognition of the equity-settled share-based payment expenses of approximately RMB54.0 million for the share options granted on 17 June 2021. The loss on acquisition of intangible assets was recognised in relation to the sale and purchase agreement entered into by the Company on 24 February 2021 regarding the Company’s acquisition of GSR GO Holding Corporation together with its subsidiaries with the initial cost of assets of approximately RMB63.7 million. As at the date of completion, based on the then closing share price of the Company, the total cost of consideration shares issued by the Company was approximately RMB438.1 million. The difference between the total cost of consideration shares issued by the Company and the initial cost of the assets acquired was recognised as a loss on acquisition of intangible assets. Moreover, the loss on acquisition of intangible assets and the share-based payment expenses were equity-settled and did not affect the net assets amount of the Group as at 31 December 2021.

After excluding the effect of the abovementioned loss on acquisition of intangible assets and equity-settled share-based payment expenses, the Group expects to record a net loss of approximately RMB18.6 million for the Year (Previous Year: net profit of approximately RMB4.6 million). Such loss was mainly attributable to an increased staff costs, research and development costs, professional services expenses during the Year, as compared to that of the Previous Year, which was related to the Group's new factory set up in Xuzhou and the extended efforts on research and development of semiconductor-related products.

As at the date of this announcement, the Company is still in the process of finalising its consolidated results for the Year. The information contained in this announcement is only based on a preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Group for the Year and the information currently available, which have not been reviewed or audited by the independent auditors or the Audit Committee of the Company and thus subject to adjustments upon further review. The announcement of the Group's annual results for the Year is expected to be approved and published on or around 31 March 2022. Shareholders and potential investors of the Company are advised to pay attention to such annual results of the Group when published.

Shareholders and potential investors of the Company are advised not to place undue reliance on the aforesaid information and they are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
HG Semiconductor Limited
Zhao Yi Wen
Chairman and Executive Director

Hong Kong, 17 March 2022

As at the date of this announcement, the executive directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the non-executive director is Dr. Wang David Nin-kou; and the independent non-executive directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.