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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

Year ended 31 December (RMB'000)	2021	2020	Percentage Change
Revenue	**126,137**	121,995	3.4%
Cost of sales	**(100,630)**	(95,624)	5.2%
Gross profit	**25,507**	26,371	–3.3%
(Loss)/profit before income tax expense	**(447,624)**	6,394	–7,100.7%
Net (loss)/profit	**(446,826)**	4,563	–9,892.4%
Adjusted net (loss)/profit under non-HKFRS measures*	**(18,417)**	4,563	–503.6%
(Loss)/earnings per share (RMB)	**(0.9222)**	0.0114	–8,189.5%
Total assets	**665,873**	220,575	201.9%
Total equity	**609,341**	172,157	253.9%
Key Financial Ratios			
Gross profit margin (%)	**20.2**	21.6	
Net (loss)/profit margin (%)	**(354.2)**	3.7	
Return on equity (%)	**(73.3)**	2.7	
Return on assets (%)	**(67.1)**	2.1	
Current ratio	**8.1**	3.9	
Gearing ratio (%)	**1.1**	7.6	

* The Company's management believes that the non-HKFRS financial measures provide shareholders and investors with useful supplementary information to assess the performance of the Group's core operations by eliminating impacts of items that the management of the Group does not consider indicative of the Group's operating performance. However, the presentation of the non-HKFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRS. Shareholders and investors should not view the adjusted results on a standalone basis or as a substitute for results under HKFRS.

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 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*5*	**126,137**	121,995
Cost of sales		**(100,630)**	(95,624)
Gross profit		**25,507**	26,371
Other income and gains	*5*	**409**	2,428
Selling and distribution expenses		**(2,259)**	(1,877)
Administrative and other expenses		**(98,605)**	(16,823)
Loss arising on acquisition of intangible assets	*11*	**(374,410)**	—
Reversal of provision/(provision) on expected credit losses on trade and bills receivables		**2,881**	(2,926)
Finance costs	*7*	**(1,147)**	(779)
(Loss)/profit before income tax credit/(expense)	*6*	**(447,624)**	6,394
Income tax credit/(expense)	*8*	**798**	(1,831)
(Loss)/profit for the year attributable to owners of the Company		**(446,826)**	4,563
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(4,125)**	(2)
Change in fair value of financial assets at fair value through other comprehensive income		**1,309**	—
Total comprehensive income for the year attributable to owners of the Company		**(449,642)**	4,561
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted (RMB cents)	*9*	**(92.22)**	1.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**58,632**	33,591
Intangible assets	*11*	**63,951**	898
Financial assets at fair value through other comprehensive income		**186,333**	—
Prepayments and deposits	*13*	**40,843**	653
Deferred tax assets		**1,688**	1,835
		351,447	36,977
Current assets			
Inventories		**35,615**	38,413
Trade and bills receivables	*12*	**97,378**	114,421
Prepayments, deposits and other receivables	*13*	**42,373**	19,360
Financial assets at fair value through profit or loss		**25,383**	2,230
Current tax recoverables		**37**	—
Cash and cash equivalents		**113,640**	9,174
		314,426	183,598
Current liabilities			
Trade and bills payables	*14*	**18,640**	22,794
Other payables and accruals		**6,373**	5,806
Bank borrowings	*15*	**7,000**	13,000
Lease liabilities		**6,651**	1,028
Current tax liabilities		**—**	4,663
		38,664	47,291
Net current assets		**275,762**	136,307
Non-current liabilities			
Lease liabilities		**17,868**	1,127
		17,868	1,127
Net assets		**609,341**	172,157
EQUITY			
Equity attributable to owners of the Company			
Share capital	*16*	**4,937**	3,580
Reserves		**604,404**	168,577
Total equity		**609,341**	172,157

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

1. GENERAL AND CORPORATE INFORMATION

HG Semiconductor Limited (formerly known as HongGuang Lighting Holdings Company Limited) (the "Company") was incorporated with limited liability in the Cayman Islands on 27 May 2015. The shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2016 with stock code "8343" and have been transferred from the GEM to the Main Board of the Stock Exchange on 13 November 2019 with stock code "6908".

During the year, the English and Chinese names of the Company have been changed from "*HongGuang Lighting Holdings Company Limited* 宏光照明控股有限公司" to "*HG Semiconductor Limited* 宏光半導體有限公司"; the stock short name for trading in the shares on the Stock Exchange has been changed from "*HONGGUANG LIGHT* 宏光照明" to "*HG SEMI* 宏光半導體". The Group's industry and sector classification of the Hang Seng Industry Classification System provided by Hang Seng Indexes Company Limited have been re-classified to "*Information Technology*" Industry, "*Semiconductors*" Sector and "*Semiconductors*" Subsector to better reflect and align with the current status and future business development of the Group in the semiconductor industry.

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 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.

In the opinion of the Directors, as at 31 December 2021, the Company's ultimate parents are First Global Limited, a company incorporated in the British Virgin Islands (the "BVI"), Star Eagle Enterprises Limited, a company incorporated in the BVI, and Bigfair Enterprises 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 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021 (early adopted)

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. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised 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 HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs Standards 2018–2020[1]
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendment to HKFRS 3	Reference to the Conceptual Framework[1]
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current[2]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors of the Company is currently assessing whether the application of the amendments will have any material impact on the Group's consolidated financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies

The HKICPA amended HKAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the HKICPA also amended HKFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 8 — Definition of Accounting Estimates

The amendment to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

HKAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Directors of the Company anticipate that the application of the amendments may have an impact on the Group's accounting policies in respect of deferred tax on the Group's right-of-use assets and lease liabilities.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The Directors of the Company do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors of the Company anticipate that the application of these amendments may have an impact on the financial statements in future periods should such transaction arise.

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 of Hong Kong Limited.

(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. For the year ended 31 December 2020, the Executive Directors have considered the only operating segment of the Group is design, development, manufacturing, subcontracting service and sales of LED beads. For the year ended 31 December 2021, the Group's operating segment is design, development, manufacturing, subcontracting service and sales of semiconductor products, including LED beads, GaN chips, GaN components and related application products, and fast charging 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:

	2021			2020		
	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	**126,137**	**—**	**126,137**	121,995	—	121,995
Segment result	**5,325**	**(382,095)**	**(376,770)**	11,610	—	11,610
Other unallocated						
Other income and gains			**409**			2,428
Other administrative expenses			**(70,499)**			(7,044)
Finance costs			**(764)**			(600)
(Loss)/profit before income tax			**(447,624)**			6,394

Segment assets and liabilities

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

	2021			2020		
	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	**491,212**	**80,081**	**571,293**	210,687	—	210,687
Corporate and other unallocated assets *(Note)*	**—**	**—**	**94,580**	—	—	9,888
Total assets			**665,873**			220,575
Segment liabilities	**(32,160)**	**—**	**(32,160)**	(32,641)	—	(32,641)
Corporate and other unallocated liabilities *(Note)*			**(24,372)**			(15,777)
Total liabilities			**(56,532)**			(48,418)

Other segment information:

Depreciation charge						
— Owned property, plant and equipment	**(4,846)**	**(9)**	**(4,855)**	(4,343)	—	(4,343)
— Right-of-use-assets	**(1,681)**	**—**	**(1,681)**	(1,775)	—	(1,775)
Amortisation of intangible assets	**(681)**	**—**	**(681)**	(682)	—	(682)
Reversals of provision/(provision) of expected credit loss on trade and bills receivables	**2,881**	**—**	**2,881**	(2,926)	—	(2,926)

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 financial assets at fair value through profit or loss and corporate and other unallocated liabilities mainly include lease liabilities in head office, bank borrowings 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:

	2021	2020
	RMB'000	*RMB'000*
Client A	**16,350**	21,596
Client B	**N/A***	19,495
Client C	**16,464**	17,166
Client D	**N/A***	15,693

* 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 sold, less discounts, returns, value added tax and other applicable local taxes during the year. The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including LED beads, GaN chips, GaN components and related application products, and fast charging products in the PRC.

The sales contract terms do not allow rebate, discount, warranties and return on revenue. During the years ended 31 December 2021 and 2020, there were no rebate, discount, warranties and return on revenue.

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

	2021	2020
	RMB'000	*RMB'000*
LED products		
Revenue recognised at a particular point in time		
Sales of LED beads	**126,137**	121,081
Revenue recognised overtime		
Subcontracting service	**—**	914
	126,137	121,995
Other income and gains		
Bank interest income	**61**	301
Government grants *(Note)*	**—**	2,127
Other income	**348**	—
	409	2,428

Note: The amount represents the government subsidy received for the Group's technology advancement with no condition during the year of 2020.

6. (LOSS)/PROFIT BEFORE INCOME TAX CREDIT/(EXPENSE)

The Group's (loss)/profit before income tax credit/(expense) is arrived at after charging:

	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**88,521**	83,192
Depreciation charge		
— Owned property, plant and equipment	**4,885**	4,611
— Right-of-use-assets included within:		
— Property	**2,298**	325
— Machinery	**966**	1,449
Amortisation of intangible assets, included in cost of sales	**681**	682
Auditor's remuneration	**1,164**	824
Research and development costs, included in administrative and other expenses	**16,463**	8,335
Employee costs (including Directors' remuneration)		
— Wages, salaries and other benefits	**12,959**	8,014
— Contribution to defined contribution pension plans	**1,106**	581
— Share-based payment	**53,999**	—
Exchange loss, net	**1,512**	—

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank borrowings	**549**	600
Interest on lease liabilities	**598**	179
	1,147	779

8. INCOME TAX CREDIT/(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 operate.

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 subsidiary incorporated in Hong Kong is 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 2021 and 2020. For the year ended 31 December 2021, 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 subsidiary had no estimated assessable profits for the year (2020: Nil).

In 2017, the Group's wholly-owned subsidiary, Zhuhai HongGuang Semiconductor Company Limited ("Zhuhai HongGuang"), previously known as Zhuhai HongGuang Lighting Fixture Company Limited, was awarded a "New and High Technology Enterprise Certificate" (the "Certificate") (高新技術企業證書). The Certificate has to be renewed over three years. In 2019, the Group has successfully renewed the Certificate for three years commencing from 1 January 2019. 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") from 25% to 15% for the years ended 31 December 2021 and 2020.

	2021	2020
	RMB'000	*RMB'000*
Current income tax — PRC EIT		
— tax for the year	**—**	3,468
— Over provision in respect of prior year	**(945)**	—
Deferred tax	**147**	(1,637)
	(798)	1,831

9. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company	**(446,826)**	4,563
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**484,525,098**	400,000,000
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)/earnings per share	**484,525,098**	400,000,000

Notes:

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

(ii) For the year ended 31 December 2021, the potential ordinary shares from 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 2021 and 2020.

11. INTANGIBLE ASSETS

	Patent sublicense *RMB'000*	Computer software *RMB'000*	Technology know-how *(Note)* *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2020, 31 December 2020, 1 January 2021	3,600	465	—	4,065
Additions	—	—	63,734	63,734
As 31 December 2021	3,600	465	63,734	67,799
Accumulated amortisation				
At 1 January 2020	2,329	156	—	2,485
Amortisation charge for the year	635	47	—	682
At 31 December 2020 and 1 January 2021	2,964	203	—	3,167
Amortisation charge for the year	636	45	—	681
At 31 December 2021	3,600	248	—	3,848
Net Book Value				
At 31 December 2021	—	217	63,734	63,951
At 31 December 2020	636	262	—	898

Note:

On 24 February 2021, the Company entered into a sale and purchase agreement with an independent third party pursuant to which the Company has conditionally agreed to acquire the entire equity interests of GSR GO Holding Corporation ("GSR GO") at a consideration of HK$76,800,000 by issuing 80,000,000 shares of the Company ("Consideration Shares") at an issue price of HK$0.96 per Consideration Share.

GSR GO is principally engaged in the research and development of fast charging solutions of battery system. The Directors consider that GSR GO do not constitute a business under HKFRS 3, as GSR GO does not consists of inputs and substantive processes applied to those inputs that have the ability to create outputs as at the acquisition date. The Group therefore accounted for this transaction as an acquisition of assets, and recognised the technology know-how as intangible assets.

The technology know-how was relating to 6 patents under the process of registration in PRC as at the acquisition completion date and the Group further applied for 3 more patents after the acquisition completion date under the PRC jurisdiction. As at 31 December 2021, 6 out of 9 of the registration of the patent have been completed.

As at the completion date, based on the then closing share price of the Company, the total cost of Consideration Shares issued by the Company was HK$528,000,000 (equivalent to approximately RMB438,224,000). However, the fair value of the technology know-how measured by the independent professional valuer was approximately RMB63,734,000, which is the initial cost of technology know-how. The difference between the total cost of Consideration Shares issued by the Company and the initial cost of the technology know-how was recognised as a loss arising on acquisition of intangible assets of approximately RMB374,410,000 in the profit or loss of the year.

The technology know-how was estimated by the management of the Group to have estimated useful life of 16 years and the Group's adopted accounting policy is to carry the intangible assets at cost less accumulated amortisation and accumulated impairment losses. Amortisation shall begin when the asset is available for use. The Group engaged independent industry expert to assess the useful life of technology know-how. As at 31 December 2021, the technology is not ready for use as the production plant related to the sale of fast charging product was still under construction. The Directors expected that construction of the production plant will be completed and the technology know-how is ready for use in late 2022. Amortisation is calculated using the straight-line method to allocate the cost of technology know-how over their estimated useful lives from the point at which the asset is ready for use.

Impairment testing of technology know-how

The technology know-how is not available for use as at 31 December 2021. The Group shall perform impairment test on technology know-how by comparing its carrying amount with its recoverable amount annually irrespective of whether there is any indication of impairment.

The carrying amount of technology know-how allocated to the GaN and other semiconductor products CGU. To support the management to determine the recoverable amount of the GaN and other semiconductor products CGU, the Group engaged the independent professional valuer to perform a valuation.

The GaN and other semiconductor products CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management with budgeted gross margins, the discount rate and the long term growth rate applied in the cash flow projections.

Other than the approximately RMB374,410,000 loss recognised in the profit or loss for the year ended 31 December 2021, no further loss relating to the technology know-how was recognised during the year ended 31 December 2021 as the recoverable amount is higher than the carrying amount of approximately RMB63,734,000.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of GaN and other semiconductor products CGU:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the budget selling price from the memorandum of understanding from a potential customer and the budget unit cost of each product. The gross margin applied in the first five-year of the cash flow projections is ranges from 21.9% to 23.4%.

Discount rate — the discount rates used are before tax and reflect specific risks relating to the relevant unit. The pre-tax discount rate applied at 31 December 2021 is 36.2%.

Long term growth rate — the long term growth rate is based on market data and management's expectation on the future development of the semiconductor related product industry. The long term growth rate applied at 31 December 2021 is 0%.

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

12. TRADE AND BILLS RECEIVABLES

The information about trade and bills receivables after expected credit losses ("ECLs") are as follows:

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**80,330**	111,615
Bills receivable	**17,048**	2,806
	97,378	114,421

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

As at 31 December 2021, the Group has no bills receivable pledged (2020: RMB0.7 million) for bills payable issued by the Group.

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.

	2021	2020
	RMB'000	*RMB'000*
0 to 30 days	**28,900**	34,877
31 to 60 days	**18,092**	11,706
61 to 90 days	**9,691**	9,672
91 to 120 days	**5,964**	14,616
121 to 365 days	**19,923**	19,753
Over 1 year	**18,357**	30,227
	100,927	120,851
Less: Impairment of trade and bills receivables	**(3,549)**	(6,430)
	97,378	114,421

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Other receivables	**246**	73
Prepayments and deposits *(Note 1)*	**82,970**	19,940
	83,216	20,013
Less: non-current portion		
Prepayments and deposits *(Note 2)*	**(40,843)**	(653)
Current portion	**42,373**	19,360

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

Notes:

1. The amount includes the prepayment to the independent third parties suppliers amounted to approximately RMB39,866,000 (2020: approximately RMB17,999,000) for purchase of raw material.

2. The amounted includes the prepayment of approximately RMB31,198,000 (2020: Nil) for purchase of machinery and approximately RMB7,334,000 (2020: Nil) for decoration.

14. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**18,640**	22,126
Bills payable	**—**	668
	18,640	22,794

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

	2021	2020
	RMB'000	*RMB'000*
0 to 30 days	**8,116**	13,407
31 to 60 days	**3,431**	4,064
61 to 90 days	**1,795**	2,779
91 to 120 days	**4,000**	1,764
121 to 365 days	**831**	672
Over 1 year	**467**	108
	18,640	22,794

15. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Unsecured interest-bearing bank borrowings:		
— Repayable on demand or within one year from the reporting date	**7,000**	13,000

As at 31 December 2021, the effective interest rates of the unsecured interest-bearing bank borrowings were 3.80% (2020: from 3.80% to 4.55%) per annum.

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

16. SHARE CAPITAL

	Number of ordinary shares	*RMB'000*
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021	400,000,000	3,580
Acquisition of intangible assets *(Note 1)*	80,000,000	664
Placing of new shares *(Note 2)*	83,591,000	693
At 31 December 2021	563,591,000	4,937

Notes:

1. The Company entered into a sales and purchase agreement to acquire the GSR GO together with its subsidiary (the "GSR GO Group"), involving the issuance of 80,000,000 shares for acquisition, please refer to Note 11 for details.

2. An aggregate of 69,245,000 and 14,346,000 shares have been successfully placed on 22 July 2021 and 1 December 2021 respectively to not less than six placees at the share price of HK$5.80 and HK$6.20 respectively per share.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board hereby presents the annual results of the Group for the year ended 31 December 2021 (the "**Year**" or "**2021**"), together with the comparative figures for the corresponding year ended 31 December 2020 (the "**Previous Year**" or "**2020**").

INTRODUCTION

HG Semiconductor Limited (the "**Company**"; together with its subsidiaries referred to here as the "**Group**") is engaged principally in the design, development, manufacturing, subcontracting and sales of semiconductors, including light-emitting diode ("**LED**") beads and LED lighting products in China. Leveraging its expertise in LED manufacturing, the Group has expanded its business into the research and development ("**R&D**"), design, manufacturing and sales of gallium nitride ("**GaN**") third-generation semiconductors related products which include GaN components, fast-charging products, and other types of semiconductor-related products.

While operating its LED bead business, the Group is working hard to explore diversification opportunities. Recognising the strong potential of GaN development and its vast number of applications, the Group has expanded its third-generation semiconductor and system application design and manufacturing activities since 2021. Leveraging its expertise, the professionalism of its teams, and its R&D capabilities in semiconductor manufacturing, the Group successfully transformed its business strategy during the Year and strategically deployed capital to invest in the world's leading GaN companies and enhance its manufacturing plans, with the aim of becoming the leading supplier of third-generation GaN semiconductors in Greater China. The Group will continue to develop and produce GaN technology products to contribute to the country's semiconductor industry.

INDUSTRY REVIEW

In 2021, the global economy was gradually recovering from the adverse impact of the COVID-19 pandemic ("**COVID-19**" or "**Pandemic**"), whose effects continue to be felt around the world, and during which the outlook for the semiconductor market has become even brighter. As a global shortage of chips has affected industries such as automotive manufacturing, market demand for chips has increased as global economic activity has rebounded. Industry data service provider World Semiconductor Trade Statistics ("**WSTS**") estimates that the sector's global output grew 25.6% to approximately US$552.9 billion in 2021, and it will exceed US$600 billion in 2022 amid record-breaking year-on-year growth of 8.8%.

The market for the third-generation semiconductor materials such as GaN and silicon carbide ("**SiC**") has been expanding since 2020 as third-generation semiconductors prioritise technology requires less investment for high output value when compared to other semiconductors. Third-generation semiconductors have a wide range of applications in a huge and growing market. GaN is often referred to as the representative of third-generation semiconductor materials, boasting a wider band gap, higher breakdown voltages, increased power conversion efficiency and greater thermal stability at high temperatures than earlier generations of semiconductor materials. Thanks to GaN's high frequency, high-temperature resistance and high efficiency, its demand in industrial and consumer electronics has increased significantly.

The markets for GaN products are sizeable, and include — but are not limited to — (i) electric vehicles, (ii) wireless fast-charging, (iii) data centres, new energy and radio frequency (RF) communications. Huge global demand for third-generation semiconductors has contributed to the continued growth of the industry. Sales of electric vehicles, for instance, have grown substantially over the past decade. Deloitte & Touche (one of the Big Four Accounting Firms) estimates that the global market share of electric vehicles will exceed 30% of all vehicles in 2025. Amid increasing demand for wireless, high-power, fast-charging products, market intelligence firm TrendForce (a global leader in providing in-depth market intelligence and professional consultation services) expects that GaN's penetration of the fast-charging market will exceed 50% in 2025. "The Market Outlook and Investment Planning Analysis Report on the Shared Charging Battery Industry in China" (中國共享充電寶行業市場前瞻與投資規劃分析報告) points out that the number of users of fast-charging devices is expected to increase to 610 million in 2026, which will translate into development opportunities in the market, and that the GaN power market segment is expected to become the fastest-growing segment in the third-generation semiconductor industry by output value. In the context of rapidly growing data collection and utilisation, and increasing take-up of technologies such as cloud computing and edge computing, China's market for data centres is expected to expand rapidly. In this setting, and given that the demand for 5G, electric vehicles, Internet of Things (IoT) technology and other applications will continue to grow amid limited foundry capacity, foundry prices are expected to increase, creating significant market potential.

In addition to the strong demand for third-generation semiconductors, favourable national development policies are also aiding the development of the semiconductor industry. China's National Key Research and Development Programme spurred the implementation of important projects involving new display and strategic electronic materials (新型顯示與戰略性電子材料) technology in 2021, among which third-generation semiconductors are the key focus. Third-generation semiconductors are a key technology identified in the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and Long-Range Objectives for 2035 (國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), and accordingly both national and local governments will support their development for use in fields which includes education, research, talent and financing. In addition, a strategy of domestic industrial replacement (國產化替代) was first detailed in the Outline of the 14th Five-Year Plan, indicating that the Central Government attaches considerable importance to issues such as the development of innovation and technology, and a means to realise industrial independence, upgrade integrated industry, concentrate on addressing core technology bottlenecks, and achieve independent control of a number of key technologies in the high-end industrial chain.

In recent years, the Central Government has advocated building a green, low-carbon, recycling-intensive economic system that is also conducive to the development of third-generation semiconductors. The Instructions of the Communist Party of China's Central Committee and the State

Council on Implementing New Development Concepts to Completely, Accurately and Comprehensively Achieve Carbon-Neutrality (中共中央國務院關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見) aims at attaining the goals of curbing carbon dioxide emissions to reach carbon-neutrality, improving energy efficiency, reducing carbon dioxide emissions and improving the carbon sink capacity of the ecosystem. The Central Government also stated in the Development Plan for the New-Energy Automobile Industry (2021–2035) (新能源汽車產業發展規劃(2021–2035年)) that it will implement preferential tax policies related to new-energy vehicles, increase the proportion of new-energy vehicles in new vehicle sales, make pure electric trams mainstream, and fully electrify public transport. This shows that the replacement of traditional vehicles with new-energy vehicles will become a trend that will indirectly drive long-term semiconductor development.

During the Year, the Group took advantage of national policies and trends in both technology and the industry to accelerate the development of its businesses. The Group has accumulated extensive industry expertise in LED manufacturing, and will accelerate the pace of its R&D of GaN-related products to expand their applications and seize opportunities in the market.

BUSINESS REVIEW

In 2021, the Group officially entered the third-generation semiconductor industry. "HongGuang Lighting Holdings Company Limited" changed its name to "HG Semiconductor Limited" in September 2021, to demonstrate the Group's determination to explore the third-generation semiconductor field and further strengthen its related design and production capabilities.

The Group's revenue increased from approximately RMB122.0 million for the year ended 31 December 2020 (the "**Previous Year**" or "**2020**") to approximately RMB126.1 million for the year ended 31 December 2021 (the "**Year**" or "**2021**"). A loss of approximately RMB446.8 million was recorded for the Year, as compared to a profit of approximately RMB4.6 million for the Previous Year. The loss for the year was primarily attributable to the (i) loss arising on acquisition of intangible assets of approximately RMB374.4 million and (ii) recognition of equity-settled share-based payment expenses of approximately RMB54.0 million for the share options granted on 17 June 2021. After excluding the effect of the abovementioned loss arising on acquisition of intangible assets and equity settled share based payments expenses, the Group recorded a net loss of approximately RMB18.4 million for the Year (Previous Year: net profit of approximately RMB4.6 million). Such loss was mainly attributable to 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, PRC and the extended efforts on research and development of semiconductor-related products.

During the Year, the Group made arrangements to build core GaN capabilities, a third-generation semiconductor, in various respects including technology, production management, industry R&D, and acquisitions and collaborations. Through these arrangements, the Group has passed many milestones and has advanced in the third-generation semiconductor business.

Strategic investments in leading technologies to drive rapid business growth

During the Year, the Group actively entered into strategic and framework cooperation agreements with a number of third-generation semiconductor companies and made strategic investments in a number of leading firms to accelerate breakthroughs in core technologies as it strives to outperform its competitors in term of technology. Amid the growing demand for electric bicycle battery systems in China, it is expected that fast-charging battery solutions will become the first choice for the country's rapidly expanding food delivery industry. Apart from that, as the battery capacity of various electronic products such as mobile phones, tablets, laptops and electric vehicles has increased, fast-charging has become an indispensable product feature and has enjoyed solid market growth. In May 2021, the Group successfully acquired GSR GO Holding Corporation, together with its subsidiaries, ("**GSR GO Group**") for a consideration of HK$76.8 million. The GSR GO Group is engaged mainly in R&D involving fast-charging solutions for battery systems, helping the Group to capture the market potential of electric bicycle battery systems and related fast-charging solutions.

With the aim of becoming a world-class and whole industry chain in the third-generation semiconductor market, the Group acquired approximately 20.1% of the enlarged issued share capital of Israel's VisIC Technologies Ltd. ("**VisIC**") during the Year with an investment cost, of approximately US$25 million. VisIC is engaged in the development of GaN-related products, with a focus on high-voltage new-energy vehicles, and possesses excellent design capabilities. In addition, the Group made a strategic investment in GaN Systems Inc. ("**GaN Systems**") in November 2021 for approximately US$1.75 million. Principally engaged in the development of various GaN-related products which include high-current GaN power semiconductors, with a particular focus on consumer products, GaN Systems has set up its own factories and accumulated extensive experience in chip production quality control.

Strong technological advantages and solid progress towards complete production layout

In line with its long-term strategy of further developing in the GaN semiconductor industry, the Group has actively enhanced its core equipment, R&D, and production facilities to optimise production management. During the Year, the Group has set up a new factory in the Xuzhou Economic and Technological Development Zone, Jiangsu Province, PRC (the "**Xuzhou Factory**") that includes 7,000 square metres of ultra-clean chambers and 850 square metres of office space, while spending HK$47.1 million to acquire machinery to expand its semiconductor production capacity. The Group intends to set up a production line at the factory to manufacture electronic products which include GaN-related products. Amid huge market demand, the Group will continue to expand its production capacity and upgrade its technology while actively improving efficiency and quality control at the factory to satisfy customers' needs and produce more chips to meet that demand.

In addition to its Xuzhou factory, the Group has set up a R&D centre in Shenzhen with its own design and R&D team to enhance the design and production of materials and devices, and accordingly strengthen its R&D capabilities industry-wide. The Group will continue to bring in semiconductor experts to provide support to its semiconductor production lines.

During the Year, the Group obtained six fast-charging battery system patents for charging stations, charging conversion systems, charging modules and fast-charging equipment for electric vehicle charging stations.

In July 2021, the Group entered into a five-year framework cooperation agreement with a statutory body committed to helping Hong Kong enterprises to improve their competitiveness through the application of advanced technology and innovative services to promote the reindustrialisation of Hong Kong through the development of the next-generation semiconductor sector, alongside the development and construction of smart-city technology. The Group will establish an advanced production line for fast-charging products with this statutory body to jointly develop next-generation semiconductor technologies, which will strengthen the Group's technology transformation capabilities and facilitate the development of industry, education and research in Hong Kong and the Greater Bay Area.

The Group is committed to a strategic business transformation and a strategic resource allocation for the development of its third-generation semiconductor business, with the aim of becoming a semiconductor integrated device manufacturing ("**IDM**") enterprise that spans the whole industry chain, including R&D, manufacturing, packaging and package testing, and sales, with a particular focus on semiconductor design and manufacturing.

Strategic cooperation with target customers to generate early-stage profits

Even though the Group's semiconductor business is in its developmental stages, it has already been widely recognised by the industry, and the Group has successfully entered into strategic cooperation arrangements with target customers through which it can secure early profitability, laying solid foundations for business expansion in the long run.

In June 2021, to establish a comprehensive cooperative relationship involving R&D, business development, customer service and productivity sharing, Zhuhai HongGuang Semiconductor Co., Ltd.* ("**Zhuhai HongGuang**"), a wholly-owned subsidiary of the Group, entered into a strategic cooperation agreement with one of the Group's existing customers, a listed semiconductor enterprise that is one of the largest players in its market and a leading global innovator when it comes to LED and mini LED technologies and products using GaN substrate technology.

In July 2021, Xuzhou GSR Semiconductor Co., Ltd.* ("**Xuzhou GSR**"), a wholly-owned subsidiary of the Group, entered into a strategic cooperation agreement with Shenzhen Romoss Technology Co., Ltd.* (深圳羅馬仕科技有限公司) and Beijing Hongzhi Electric Technology Co., Ltd.* (北京鴻智電通科技有限公司). Shenzhen Romoss Technology Co., Ltd. mainly supplies mobile power, car chargers and adapters used to charge many brands and types of electronic products. Beijing Hongzhi Electric Technology Co., Ltd. has more than 20 years of experience in chip design and technology, and holds numerous registered patents and technology-related intellectual property rights. The Group entered into a three-year cooperation agreement with these two companies to jointly provide solutions for semiconductors, GaN-related products and chipsets for fast-charging batteries. Through this collaboration, the Group will further develop and explore the application of its expertise in the semiconductor industry as it relates to a range of semiconductor products, leveraging the large operating scale, extensive experience, resources and expertise offered by these two companies.

Building a world-class science and management team

To accelerate R&D involving the Group's third-generation semiconductors, the Group invited a number of senior semiconductor experts to join the team during the Year to lead its development as an industry pioneer. During the Year, the Group appointed Dr. Wang David Nin-kou, a leading figure in the global semiconductor industry, as a Non-executive director. Dr. Wang has held senior management positions at a number of leading electronics companies.

In preparation for further development and exploration of the GaN semiconductor business, the Group expanded its technology and production team with core members who include Dr. Chen Zhen ("**Dr. Chen**") and Mr. Lu Ruilin ("**Mr. Lu**"). Dr. Chen is the general manager of the Xuzhou factory and a core expert in the GaN semiconductor business with more than 20 years of experience in research, development, production and management related to GaN-based optoelectronics devices. Mr. Lu is the operations deputy general manager of the factory, bringing more than 30 years of experience in the semiconductor industry and in foundry technology and management.

In addition, the Group has established a Global Strategic Advisory Committee to strengthen and promote the development of its GaN business. The Committee comprises three initial members: Mr. Sonny Wu ("**Mr. Wu**"), its chairman, and 2 members Mr. Kenneth James Bradley ("**Mr. Bradley**") and Mr. Tang Yin Man ("**Mr. Tang**"). The Committee is responsible for reporting to and advising the management on issues that the Group may face from time to time, including — but not limited to — matters relating to GaN and the semiconductor industry, such as factory localisation in Hong Kong and China, and global supply chain programmes.

Mr. Wu focuses on special investments in the semiconductor sector, new materials and new energy, and is one of those enlisted in the first batch of talents brought in under the Thousand Talents Program run by the Organization Department of the Central Committee of the Chinese Communist Party. Mr. Wu led the development of the first wave of semiconductor factories in China in 1993, and has made significant contributions to technology and industrial investment for the past 20 years. Mr. Bradley has extensive experience in the electronics industry and Mr. Tang has expertise in investment management. Please refer to the announcement of the Company dated 10 January 2022 on the establishment of the Global Strategic Advisory Committee for details of the experience and biographies of the members of the Committee. The experience and semiconductor industry networks of the members of the Global Strategic Advisory Committee will enable the Group to achieve rapid growth in the third-generation semiconductor business.

The extensive technical, R&D, and semiconductor manufacturing expertise and experience possess by these experts will allow them to provide valuable advice to management on the Group's third-generation semiconductor business and future strategic investment and development, leading the Group's design and production of world-class semiconductor products to outperform its competitors in a highly competitive market.

OUTLOOK

Third-generation semiconductors are an important development focus of China's National Key Research and Development Programme, and are regarded as presenting an opportunity to secure rapid growth for the country's semiconductor industry. China has already invested RMB10 trillion to develop self-sufficiency in the third-generation semiconductor industry, and it considers self-reliance and homegrown technological advances to be the strategic pillars of national development and achieving domestic industrial replacement to overcome core technology bottlenecks.

Consulting firm Grand View Research forecasts that GaN semiconductor devices will form a global market worth US$5.85 billion in 2027, with a compound annual growth rate of 20% from 2020 to 2027, mainly attributable to advances in GaN technology and an increasing number of semiconductor applications, such as rising demand for 5G wireless communications equipment. In addition, as the world is committed to tackling climate change, China's State Council has proposed clear national targets for peak carbon and carbon-neutrality in the future, and is actively promoting the development of electric vehicles in the country's domestic market. Amid growing demand for electric vehicle technologies such as high-frequency, high-speed computing and high-speed charging, increasing global awareness of carbon emissions, and the fact that the carbon footprint of GaN power chips is less than one-tenth of that produced by silicon power chips, third-generation semiconductors are expected to become strongly favoured, thanks to its features of high efficiency and low power consumption. China is expected to be the fastest-growing regional market for GaN, thanks to the growing demand for high-efficiency, high-performance radio frequency components and a surge in electric vehicle production.

The Group will spare no effort to become a third-generation semiconductor IDM pioneer. In order to capture the opportunities arising from huge market demand, in addition to actively seeking cooperation with other enterprises, the Group will strengthen its own capabilities. During the Year, the Group has committed to renovating its Xuzhou factory, and to enhancing its core equipment and various R&D and production support facilities, while continuing the construction and commissioning of the production lines at the factory and enhancing its production capacity to satisfy future market demand. Given that the factory is currently being renovated and that the acquisition of machines is in progress, the factory is expected to commence production in 2023. The Group will leverage the advantages brought about by its internal integration of resources, as it always does, to enhance the efficiency of its operational management and shorten the time required to progress from product design to mass production. Thanks to its continuous expansion of production capacity, the Group will see more rapid growth and make further progress towards the realisation of its goal of offering one-stop IDM.

While further consolidating its presence in the existing markets and its R&D capabilities, the Group will continue to seek more cooperation with suitable third parties and recruit more semiconductor talents to accelerate its R&D and create more applications for GaN-related products. The Group's Global Strategic Advisory Committee will provide management with sound strategic and tactical advice, contributing to established business operations, and the Group will also build a stronger sales team by recruiting sales professionals with extensive experience in the industry, which will help it to obtain cutting-edge advantages when approaching new customers. In product design, the Group will continue to innovate at all levels of the industry chain in order to satisfy customers' needs and stay abreast of market demand.

The Group was awarded the 2021 Annual (Industry) Enterprise with Most Investment Value Award (2021年度(行業)最具投資價值企業) at the 5th Boao Enterprise Forum (博鰲企業論壇) in recognition of its outstanding technological innovation, its strategic transformation efforts, and its expansion in the field of third-generation semiconductor. In the future, the Group will embark on initiatives to enhance its technologies and capabilities, which include R&D of its core technologies, product design, manufacturing, and market promotion. In addition to developing its LED bead business, the Group is also opening a new chapter in the semiconductor industry and moving forwards its goal to become a GaN pioneer in Greater China.

FINANCIAL REVIEW

Revenue

For the Year, the total revenue was approximately RMB126.1 million, representing an increase of approximately 3.4% as compared with that for the Previous Year (2020: approximately RMB122.0 million). The increase was mainly attributable to the increase in revenue from the sales of LED beads.

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

	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
LED products				
LED beads	**126,137**	**100.0**	121,081	99.3
Subcontracting service	**—**	**—**	914	0.7
Total	**126,137**	**100.0**	121,995	100.0

For the Year, revenue from LED beads amounted to approximately RMB126.1 million (2020: approximately RMB121.1 million), accounting for approximately 100.0% of the total revenue (2020: approximately 99.3%). The increase in revenue was mainly due to the increase in the sales volume during the Year, as the demand for semiconductor products in the PRC has substantially increased in the first half of 2021.

Revenue from subcontracting service during the Year was nil (2020: approximately RMB0.9 million).

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 5.2% from approximately RMB95.6 million for the Previous Year to approximately RMB100.6 million for the Year, reflecting an increase in the sales volume of semiconductor products, which mainly led to the increase in the cost of material used.

Gross Profit and Gross Profit Margin

The gross profit decreased from approximately RMB26.4 million for the Previous Year to approximately RMB25.5 million for the Year. The gross profit margin decreased from approximately 21.6% for the Previous Year to approximately 20.2% for the Year. The following table sets forth a breakdown of the gross profit and gross profit margin by segment for the periods indicated:

	2021		2020	
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*
LED products				
LED beads	**25,507**	**20.2**	25,457	21.0
Subcontracting service	**—**	**—**	914	N/A[(Note)]
Total gross profit/gross profit margin	**25,507**	**20.2**	26,371	21.6

Note: The gross profit margin did not apply to the subcontracting service income as the amount was recognised on net basis.

The gross profit margin of LED beads decreased from approximately 21.0% for the Previous Year to approximately 20.2% for the Year. Such decrease was mainly attributable to the decrease in the average selling price of LED beads.

Other Income and Gains

Other income and gains of the Group decreased by approximately 83.3% from approximately RMB2.4 million for the Previous Year to approximately RMB0.4 million for the Year, which was mainly due to the decrease in Government grants from the PRC Government during the Year.

Selling and Distribution Expenses

The selling and distribution expenses increased by approximately 21.1% from approximately RMB1.9 million for the Previous Year to approximately RMB2.3 million for the Year. The selling and distribution expenses mainly comprised of staff costs, traveling expenses and entertainment expenses. The increase in selling and distribution expenses was mainly attributable to the increase in traveling expenses and entertainment expenses as a result of increased marketing activities during the Year.

Administrative and Other Expenses

The Group's administrative and other expenses increased by approximately 486.9% from approximately RMB16.8 million for the Previous Year to approximately RMB98.6 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 recognition of the equity-settled share-based payment expenses during the Year. The equity-settled share-based payment expenses were approximately RMB54.0 million for the Year (Previous Year: nil).

Finance Costs

The Group's finance costs was approximately RMB1.1 million for the Year (2020: approximately RMB0.8 million). The increase in finance costs was mainly attributable to the increase in interest on lease liabilities for the Year, as compared to that for the Previous Year.

Income Tax Credit

Income tax credit of the Group for the Year was approximately RMB0.8 million (2020: income tax expense of approximately RMB1.8 million). The income tax credit was primarily attributable to an over provision of income tax expenses in Previous Year.

Loss for the Year

The loss for the Year was approximately RMB446.8 million, as compared to a net profit of approximately RMB4.6 million for the Previous Year. The loss for the Year was mainly attributable to the recognition of the equity-settled share-based payment expenses and loss arising on acquisition of intangible assets during the Year.

Net Margin

The Group recorded a net margin of approximately –354.2% for the Year, compared to that of a net profit margin of approximately 3.7% for the Previous Year. The negative net margin for the Year was mainly due to the recognition of equity-settled share-based payment expenses and loss arising on acquisition of intangible assets during the Year.

Adjusted loss/profit attributable to owners of the Company under non-HKFRS measures

To supplement the consolidated financial results of the Group prepared in accordance with HKFRS, additional non-HKFRS financial measures (in terms of adjusted loss/profit attributable to owners of the Company) have been presented in this announcement. The Company's management believes that the non-HKFRS financial measures provide shareholders and investors with useful supplementary information to assess the performance of the Group's core operations by eliminating impacts of items that the management of the Group does not consider indicative of the Group's operating performance. However, the presentation of the non-HKFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with HKFRS. Shareholders and investors should not view the adjusted results on a stand-alone basis or as a substitute for results under HKFRS. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies.

The following table sets forth the reconciliations of the Group's audited loss/profit for the year attributable to owners of the Company under HKFRS to the adjusted amount under non-HKFRS financial measures for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-HKFRS Measures		
(Loss)/profit for the year attributable to owners of the Company	**(446,826)**	4,563
Add:		
Equity settled share-based payment expenses	**53,999**	—
Loss arising on acquisition of intangible assets	**374,410**	—
Adjusted (loss)/profit for the year attributable to owners of the Company	**(18,417)**	4,563

Adjusted loss for the year attributable to owners of the Company (excluding the equity settled share-based payment expenses and loss arising on acquisition of intangible assets was approximately RMB18.4 million (2020: profit of approximately RMB4.6 million), primarily due to increase in staff costs, research and development costs, professional services expenses during the 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.

Dividend

The Directors do not recommend the payment of a final dividend for the Year (2020: 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 RMB59.9 million as compared to that of approximately RMB21.9 million for the Previous Year, primarily due to the greater increase in prepayments, deposits and other receivables during the Year, as compared to that increase for the Previous Year.

As at 31 December 2021, the Group had net current assets of approximately RMB275.8 million (31 December 2020: approximately RMB136.3 million). The Group's current ratio as at 31 December 2021 was approximately 8.1 times (31 December 2020: approximately 3.9 times).

As at 31 December 2021, the Group had total cash and bank balances of approximately RMB113.6 million (31 December 2020: approximately RMB9.2 million). The increase in total cash and bank balances was mainly due to the placing of new shares of approximately RMB394.6 million in the financing activities during the Year.

As at 31 December 2021, the total available banking facilities of the Group were RMB7.0 million (31 December 2020: RMB13.0 million). The total drawn down of the banking facilities as at 31 December 2021 was RMB7.0 million (31 December 2020: approximately RMB13.0 million).

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 30 December 2016 and the listing of the Company's shares has been transferred from the GEM to the Main Board of the Stock Exchange since 13 November 2019. The share capital of the Company comprises only ordinary shares. As at 31 December 2021, the equity attributable to owners of the Company amounted to approximately RMB609.3 million (2020: approximately RMB172.2 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 2.7% for the Previous Year to approximately –73.3% for the Year. Such decrease was mainly attributable to the net loss as a result of the recognition of the equity-settled share-based payment expenses and loss arising on acquisition of intangible assets during the Year.

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 2.1% for the Previous Year to approximately –67.1% for the Year. Such decrease was mainly attributable to the net loss as a result of the recognition of the equity-settled share-based payment expenses and loss arising on acquisition of intangible assets during the Year.

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) increased from approximately 3.9 times as at 31 December 2020 to approximately 8.1 times as at 31 December 2021, primarily due to the increase in cash and cash equivalents for the year ended 31 December 2021.

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 2021 was approximately 1.1% (31 December 2020: approximately 7.6%).

Significant Investments

VisIC Technologies Limited ("VisIC")

On 24 June 2021, the Group's wholly-owned subsidiary, FastSemi Holding Limited ("**FastSemi**"), acquired 349,992 series E preferred shares of VisIC, an unlisted company in Israel principally engaged in the development of GaN related products, which include high-power transistors and modules, at the consideration of approximately USD5 million. On 23 August 2021, FastSemi further acquired 1,399,969 series E preferred shares of VisIC, at the consideration of approximately USD20 million. During the Year, the total number of shares acquired was 1,749,961 with an investment cost of approximately USD25 million. The total number of shares acquired represents approximately 20.1% of the enlarged issued share capital of VisIC as at 31 December 2021. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB 158.9 million as at 31 December 2021, representing approximately 23.9% of the Group's consolidated total assets as at 31 December 2021. There was no realised and unrealized gain or loss nor any 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. ("Bejing Hongzhi")*

On 6 August 2021, the Group's wholly-owned subsidiary, Xuzhou GSR Semiconductor Co., Ltd.*("**Xuzhou GSR**"), invested 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 approximately RMB16.3 million as at 31 December 2021. Fair value gain of approximately RMB1.3 million was recognised through other comprehensive income during the Year. Beijing Hongzhi has more than 20 years of experience in chip design and technology, and holds numerous registered patents and technology-related intellectual property rights which helps the company to maintain high potentials for future growth.

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 USD1.75 million, representing 0.37% of the total issued share capital of GaN Systems. Such investment was classified as an equity instrument at fair value through other comprehensive income amounting to approximately RMB11.1 million as at 31 December 2021. There was no realised and unrealized gain or loss nor any dividends received from this investment for the Year. GaN Systems has an in-depth knowledge in GaN technology and a management team with decades of GaN product experience. GaN System is also a GaN power transistor company currently shipping to automotive, consumer, industrial, and data center customers globally.

HighTec SP2 Fund (the "Fund")

In December 2021, FastSemi subscribed 4,000 shares of the Fund at a consideration of USD4 million. The Fund's investment strategies are principally to invest directly or through other investment vehicles in equity securities of world's leading semiconductor design and production companies, which include technology companies focusing on providing fast charging solution, 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. Such investment was classified as an equity instrument at fair value through profit or loss amounting to approximately RMB25.4 million as at 31 December 2021. Fair value loss of approximately RMB63,000 was recognised through profit or loss during the Year. As the Fund's main focus is on investing 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, the Group had no significant investments during the Year.

Material Acquisitions and Disposals

The Group has completed the acquisition of GSR GO Holding Corporation, a company incorporated in the BVI with limited liability on 7 May 2021. Details of the acquisition were set out in the Company's announcements dated 25 February 2021, 29 April 2021 and 7 May 2021.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

Capital Commitments

As at 31 December 2021, the Group had capital commitments for the acquisition of property, plant and equipment, the amount contracted for amounted to approximately RMB76.7 million (2020: approximately RMB0.4 million).

Charge on the Group's Assets

As at 31 December 2021, the Group did not have any charge on its assets (31 December 2020: the Group (i) pledged bills receivable of approximately RMB0.7 million for the issuance of bank acceptance bills and (ii) charges were created over the right-of-use assets of approximately RMB0.9 million under a lease arrangement).

Contingent Liabilities

As at 31 December 2021, 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, the Group did not hedge any exposure to foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2021, the Group employed 179 employees (31 December 2020: 143 employees). Employee costs (including Directors' remuneration, wages, salaries, performance related bonuses, other benefits and contribution to defined contribution pension plans) amounted to approximately RMB68.1 million for the Year (2020: approximately RMB8.6 million). 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.

Placing of New Shares

(1) ***Placing on 22 July 2021***

In order to expand the production capacity of the Group, strengthen the Group's research and development capabilities and provide general working capital to meet the needs of its business development plan, on 13 June 2021, the Company entered into a placing agreement with VC Brokerage Limited in relation to the placing of a maximum of 96,000,000 new ordinary shares at a price of HK$5.8 per share (the "**July 2021 Placing**"). The closing price for the Company's shares on 11 June 2021 (being the last trading day prior to the date of signing the placing agreement) was HK$7.10 per share. On 22 July 2021, the July 2021 Placing completed and the Company issued and allotted an aggregate of 69,245,000 new ordinary shares to not less than six independent third parties. The net price for such shares was approximately HK$5.63 per share and aggregate nominal value of such shares was HK$692,450. The July 2021 Placing generated net proceeds of approximately HK$389.6 million (the "**July 2021 Placing Proceeds**"). Details of the placing were set out in the Company's announcement dated 15 June 2021 and 22 July 2021.

As at 31 December 2021, the Group's planned application and the actual utilisation of the July 2021 Placing Proceeds is set out below:

	Net proceeds *HK$ million*	**Utilised** *HK$ million*	**Unutilised** *HK$ million*	**Expected timeline for utilising the unutilised proceeds**(Note)
Expansion of production capacity	144.9	47.1	97.8	On or before 31 December 2022
Strengthening research and development capabilities	74.8	74.8	—	N/A
Repayment of borrowings	11.3	7.2	4.1	On or before 31 December 2022
Provision of general working capital	158.6	151.5	7.1	On or before 31 December 2022
	389.6	280.6	109.0	

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

(2) ***Placing on 1 December 2021***

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 4 November 2021, the Company entered into a placing agreement with VC Brokerage Limited in relation to the placing of a maximum of 26,755,000 new ordinary shares at a price of HK$6.2 per share (the "**December 2021 Placing**"). The closing price for the Company's shares on 3 November 2021 (being the last trading day prior to the date of signing the placing agreement) was HK$6.8 per share. On 1 December 2021, the December 2021 Placing completed and the Company issued and allotted an aggregate of 14,346,000 new ordinary shares to not less than six independent third parties. The net price for such shares was approximately HK$6.01 per share and aggregate nominal value of such shares was HK$143,460. The December 2021 Placing generated net proceeds of approximately HK$86.2 million (the "**December 2021 Placing Proceeds**"). Details of the placing were set out in the Company's announcement dated 4 November 2021 and 1 December 2021.

As at 31 December 2021, the Group's planned application and the actual utilisation of the December 2021 Placing Proceeds is set out below:

	Net proceeds *HK$ million*	Utilised *HK$ million*	Unutilised *HK$ million*	Expected timeline for utilising the unutilised proceeds(Note)
Strengthening research and development capabilities	64.3	64.3	—	N/A
Provision of general working capital	21.9	—	21.9	On or before 31 December 2022
	86.2	64.3	21.9	

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

The Company intends to continue to apply the July 2021 Placing Proceeds and December 2021 Placing Proceeds in the manner consistent with that mentioned above. Nonetheless, the Directors will constantly evaluate the Group's business objectives and may change or modify the plans against changing market conditions to ascertain the business growth of the Group. All unutilised proceeds have been placed in licensed banks in Hong Kong and the PRC.

Purchase, Sales or Redemption of the Company's Listed Securities

Saved as disclosed in the announcements of the Company dated 15 June 2021, 22 July 2021, 4 November 2021 and 1 December 2021, 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 set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "**Required Standard of Dealings**"). Upon specific enquiries being made with all Directors, each of them confirmed that they have complied with the Required Standard of Dealings regarding securities transactions by the Directors for the year ended 31 December 2021.

Corporate Governance and Compliance with the Corporate Governance Code

The Company adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Save for the provision C.2.1 of the CG Code, the Board is satisfied that the Company had complied with the CG Code for the year ended 31 December 2021.

CG Code provision C.2.1 stipulates that the roles of chairman and chief executive should separate and should not be performed by the same individual. Mr. Zhao Yi Wen is both the chairman of the Board and the chief executive officer of the Company. In view of Mr. Zhao Yi Wen being one of the founders of the Group and has been operating and managing Zhuhai HongGuang, the operating subsidiary of the Company, since 2010, the Board believes that it is in the best interest of the Group to have Mr. Zhao Yi Wen taking up both roles for effective management and business development.

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 Tuesday, 17 May 2022, the register of members will be closed from Wednesday, 11 May 2022 to Tuesday, 17 May 2022, 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 Tuesday, 10 May 2022.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (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 ended 31 December 2021. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Chan Chung Kik, Lewis, Mr. Wu Wing Kuen, *B.B.S.* and Professor Chow Wai Shing, Tommy. Mr. Chan Chung Kik, Lewis, 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 ended 31 December 2021 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
Zhao Yi Wen
Chairman and Executive Director

Hong Kong, 31 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.

* *for identification purpose only*