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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in HG Semiconductor Limited (the “Company”), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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HG SEMICONDUCTOR LIMITED

宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

**(1) PROPOSED REFRESHMENT OF
SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT
(2) APPOINTMENT OF AUDITORS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A notice convening the extraordinary general meeting of the Company (the “EGM”) to be held at 3:00 p.m. on Thursday, 31 July 2025 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the People's Republic of China is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the shareholders of the Company at the EGM is enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.hg-semiconductor.com.

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Boardroom Share Registrars (HK) Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

15 July 2025

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	15
Letter from the Independent Financial Adviser	16
Notice of the EGM	EGM-1

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“2016 Share Option Scheme”	the share option scheme adopted by the Company on 2 December 2016
“2023 Share Award Scheme”	the share award scheme of the Company adopted by the Company on 29 December 2023
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Award(s)”	award(s) of Awarded Share(s) by the Board to Selected Participant(s) pursuant to the 2023 Share Award Scheme
“Awarded Share(s)”	in respect of a Selected Participant, such number of Shares as awarded by the Board pursuant to the 2023 Share Award Scheme
“Board”	the board of Directors
“Company”	HG Semiconductor Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 6908)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held at 3:00 p.m. on Thursday, 31 July 2025 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the People’s Republic of China or any adjournment thereof for the purpose of considering and, if thought fit, approving the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit, notice of which is set out on pages EGM-1 to EGM-3 of this circular
“Eligible Participant(s)”	eligible participant(s) under the 2023 Share Award Scheme
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen, established to advise the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit
“Independent Shareholders”	Shareholders other than any controlling shareholders of the Company and their associates, or if there is no controlling shareholder of the Company, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who are required to abstain from voting in favour of the relevant ordinary resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM
“Latest Practicable Date”	11 July 2025, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Option(s)”	option(s) to subscribe for the Shares which has (have) been or may be granted pursuant to the 2016 Share Option Scheme
“Scheme Mandate Limit”	the maximum number of the Shares which may be issued in respect of all options and awards to be granted under the Share Schemes which shall not in aggregate exceed 10% of the Shares in issue as at the adoption date of the 2023 Share Award Scheme or the date of approval of the amended and refreshed limit by the Shareholders
“Selected Participant(s)”	Eligible Participant(s) selected by the Board for participation in the 2023 Share Award Scheme

DEFINITIONS

“Service Provider(s)”	any person who provided services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interest of long term growth of the Group, including (a) suppliers of services to any member of the Group (including suppliers of raw materials and machinery, and providers of machinery maintenance services); and (b) advisors (professional or otherwise) or consultants to business development of any member of the Group (including support or services in relation to research and development, strategic or commercial planning on corporate image, investor relations, product quality control, and regulations and policies), but, for the avoidance of doubt, excluding placing agents or financial advisers providing advisory services to the Group for fundraising, mergers or acquisitions and professional service providers including auditors or valuers who provide assurance or are required to perform their services to the Group with impartiality and objectivity
“Service Provider Sublimit”	the maximum number of Awarded Shares which may be issued in respect of all Awards to be granted to Service Providers under the 2023 Share Award Scheme, which must not in aggregate exceed 10% of the Scheme Mandate Limit
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction
“Share Scheme(s)”	any (a) scheme(s) involving the grant of Shares by the Company (including the 2023 Share Award Scheme and the 2016 Share Option Scheme); and (b) scheme(s) involving the grant of options by the Company over Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



HG SEMICONDUCTOR LIMITED

宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

Executive Directors:

Dr. Xu Zhihong (*Chairman*)

Mr. Zhao Yi Wen

Mr. Li Yang

Independent non-executive Directors:

Mr. Zou Haiyan

Mr. Siu Miu Man, Simon, *MH*

Ms. Liu Wanwen

Registered Office in the Cayman Islands:

Windward 3

Regatta Office Park

P.O. Box 1350

Grand Cayman KY1-1108

Cayman Islands

*Headquarter and principal place of
business in Hong Kong:*

Room 2607

26th Floor

West Tower

Shun Tak Centre

200 Connaught Road Central

Hong Kong

15 July 2025

To the Shareholders,

Dear Sir or Madam,

**(1) PROPOSED REFRESHMENT OF
SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT
(2) APPOINTMENT OF AUDITORS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide the Shareholders with information relating to (i) the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect

LETTER FROM THE BOARD

of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit; (iv) appointment of new auditors; and (v) the notice of the EGM.

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

Background of the existing Scheme Mandate Limit and the Service Provider Sublimit

The 2023 Share Award Scheme was adopted by the Shareholders on 29 December 2023. Pursuant to the existing Scheme Mandate Limit, the maximum number of Shares that may be granted under the 2023 Share Award Scheme shall not exceed 75,105,478, representing approximately 10% of the total number of Shares in issue on 29 December 2023, being the date of approval of the 2023 Share Award Scheme.

As the Service Provider Sublimit was determined based on 10% of the Scheme Mandate Limit, the maximum number of Shares in respect of Awards that may be granted to the Service Providers shall not exceed 7,510,547 Shares, representing approximately 1% of the then total number of Shares in issue.

Grant of Awarded Shares pursuant to the existing Scheme Mandate Limit

References are made to the announcements of the Company dated 31 January 2024 and 4 December 2024 in relation to the grant of the Awarded Shares pursuant to the existing Scheme Mandate Limit.

During the period from the adoption date of the 2023 Share Award Scheme on 29 December 2023 to the Latest Practicable Date, 75,105,478 Awarded Shares, representing approximately 8% of the total number of Shares in issue as at the Latest Practicable Date, have been (conditionally) granted to the Eligible Participants at nil consideration under the 2023 Share Award Scheme. Out of 75,105,478 Awarded Shares, (i) 3,600,000 Awarded Shares, representing approximately 0.38% of the total number of Shares in issue as at the Latest Practicable Date, were granted to seven Directors (one of whom had resigned as executive Director as at the Latest Practicable Date); and 71,505,478 Awarded Shares, representing approximately 7.62% of the issued share capital of the Company as at the Latest Practicable Date, were granted to 50 employees of the Company.

LETTER FROM THE BOARD

The details of the Awarded Shares granted under the 2023 Share Award Scheme pursuant to the existing Scheme Mandate Limit as at the Latest Practicable Date are tabulated below:

Date of grant	Category of Grantees and position in the Group	Purchase price (HK\$)	Vesting period or conditions	Number of Awarded Shares granted	Number of Awarded Shares lapsed	Number of Awarded Shares before the proposed adjustment	Number of proposed adjustments on the Granted Awarded Shares as result of completion of Rights Issues	Number of Awarded Shares after the proposed adjustments
31 January 2024	25 employees	Nil (Note 1)	31 January 2024 to 30 January 2025	7,540,000	(1,180,000)	6,360,000	—	6,360,000
4 December 2024	<i>Executive Directors:</i> Dr. Xu Zhihong,	Nil (Note 2)	4 December 2024 to 3 December 2026 (Note 3)	750,000	—	750,000	187,500 (Notes 4 and 5)	937,500
	Mr. Zhao Yi Wen			750,000	—	750,000	187,500 (Notes 4 and 5)	937,500
	Mr. Li Yang			750,000	—	750,000	187,500 (Notes 4 and 5)	937,500
	<i>Independent non-executive Directors:</i> Mr. Zou Haiyan			200,000	—	200,000	50,000 (Notes 4 and 5)	250,000
	Mr. Siu Miu Man, Simon, MH			200,000	—	200,000	50,000 (Notes 4 and 5)	250,000
	Ms. Liu Wanwen			200,000	—	200,000	50,000 (Notes 4 and 5)	250,000
	<i>Past Director:</i> Mr. Lu Kailin			750,000	(750,000)	—	—	—
	25 employees			63,965,478	(35,478)	63,930,000	15,982,500 (Notes 4 and 5)	79,912,500
	Subtotal			67,565,478	(785,478)	66,780,000	16,695,000	83,475,000
	Total			75,105,478	(1,965,478)	73,140,000	16,695,000	89,835,000

Notes:

- The closing price of the Shares on the date of grant was HK\$0.69 per Share on 31 January 2024. The 7,540,000 Awarded Shares involved under the Awards represent the value of approximately HK\$5.20 million (the “**2024 Jan Awarded Shares**”), taking into account the closing price of HK\$0.69 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant. The vested 2024 Jan Awarded Shares in the amount of 6,360,000 Shares are in the administrative process to be allotted and issued to the respective grantees.
- The closing price of the Shares on the date of grant was HK\$0.57 per Share on 4 December 2024. The 67,565,478 Awarded Shares involved under the Awards represent the value of approximately HK\$38.51 million, taking into account the closing price of HK\$0.57 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant.
- All the Awarded Shares involved will be vested on the expiry of 12 months from the date of grant (except for one employee grantee where 50% of the awarded Shares involved in the award granted to him will be vested on the expiry of 12 months from the date of grant and the remaining 50% will be vested on the expiry of 24 months from the date of grant).

LETTER FROM THE BOARD

4. Reference is made to the announcement of the Company dated 6 February 2025 in relation to, among others, the rights issue of the Company on the basis of one (1) rights share for every four (4) shares held on the record date (the “**Rights Issue**”), the Rights Issue has been completed, following which the total number of issued Shares increased from 751,054,785 to 938,818,481. Upon the completion of the Rights Issue, there were 66,780,000 Awarded Shares which were granted but yet to be vested (the “**2024 Dec Awarded Shares**”). According to the rules of the 2023 Share Award Scheme, adjustments in the event of a rights issue of the Company shall only apply to Awarded Shares granted but yet to be vested. Since the 2024 Jan Awarded Shares (other than those which had lapsed) were already vested at the completion of the Rights Issue, only the 2024 Dec Awarded Shares, which were yet to be vested upon the Completion of the Rights Issue, are entitled to the above proposed adjustments. The Board considers the above-mentioned proposed adjustments of the 2024 Dec Awarded Shares for restoring to the extent possible the percentage shareholding represented by the 2024 Dec Awarded Shares to such level before the completion of the Rights Issue is in accordance with the terms and conditions of the 2023 Share Award Scheme, and is in compliance with (i) Rule 17.03(13) of the Listing Rules; and (ii) the Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note to such Rule set out in appendix 1 to the Frequently Asked Question FAQ13 – No.1-20 issued by the Stock Exchange in November 2020 and updated in June 2024. The Independent Financial Adviser has confirmed to the Directors in writing that the above-mentioned adjustments satisfy the requirements set out in the Listing Rules.
5. To account for the shareholding dilutive element embedded in the Rights Issue on the basis of one (1) rights share for every four (4) shares, the number of 2024 Dec Awarded Shares were raised by one-fourth accordingly during the adjustments.

Save for 1,965,478 Awarded Shares that have lapsed, none of the aforesaid Awarded Shares granted has lapsed, been exercised or cancelled since their respective date of grant and up to the Latest Practicable Date.

As a result of the foregoing, as at the Latest Practicable Date, only 1,965,478 Shares were available for future grant of Awards under the Scheme Mandate Limit and the Service Provider Sublimit.

Proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit

In view that the existing Scheme Mandate Limit has been 97% utilised, the Company proposes to convene the EGM at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the proposed refreshment of the Scheme Mandate Limit so as to allow the Company to grant new awards under the 2023 Share Award Scheme in aggregate up to 10% of the issued share capital of the Company (excluding treasury Shares) as at the date of passing such ordinary resolution(s). The total number of Shares which may be issued in respect of all options and awards to be granted under all of the Share Schemes under the Scheme Mandate Limit as “refreshed” must not exceed 10% of the relevant class of shares of the Company in issue (excluding treasury shares) as at the date of approval of the refreshed Scheme Mandate Limit. In addition, the Board proposes to proportionally refresh the Service Provider Sublimit in accordance with the refreshed Scheme Mandate Limit.

As at the Latest Practicable Date, the Company had 938,818,481 Shares in issue. Assuming that all the conditions of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit are fulfilled and that there will be no change in the total number of Shares in issue from the Latest Practicable Date and up to (and including) the date of the EGM, (i) the

LETTER FROM THE BOARD

maximum number of the Shares which may be issued in respect of all options and awards to be granted under the Share Schemes will be 93,881,848 Shares, representing approximately 10% of the total number of Shares in issue as at the date of the EGM, under the Scheme Mandate Limit so refreshed; and (ii) the maximum number of Shares in respect of all options and awards to be granted which may be granted to Service Providers will be 9,388,184 Shares, representing approximately 1% of the total number of Shares in issue as at the date of the EGM, under the Service Provider Sublimit so refreshed.

The basis for determining the Service Provider Sublimit under the Share Award Scheme includes the following: (i) the recent business expansion and development needs of the Group, which may require further engagement of service providers in the third generation semiconductor industry; (ii) the actual or potential benefits, commercially and/or financially, to be brought by service providers to facilitate the long-term and sustainable growth of the Group; (iii) the major portion of the Scheme Mandate Limit to be reserved for Awards to the Eligible Participants other than the Service Providers; and (iv) the minimal potential dilution to the shareholding of public Shareholders following the Award to Service Providers under the Service Provider Sublimit of 1%, considering that the individual limit (under the Listing Rules) is also 1% of the issued Shares in relevant period.

There has not been any refreshment of the Scheme Mandate Limit and Service Provider Sublimit since the adoption of the Share Award Scheme. Apart from the 2023 Share Award Scheme and 2016 Share Option Scheme, the Company has no other Share Scheme currently in force.

For the avoidance of doubt, the refreshment of the Scheme Mandate Limit is not conditional on the Shareholders' approval of the Service Provider Sublimit. In the event that the resolution approving the Service Provider Sublimit is voted down, the Company will not make any grant to the Service Provider unless and until a revised Service Provider Sublimit has been approved by the Shareholders separately.

Reasons for the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit

As mentioned in the annual report of the Company for the financial year ended 31 December 2024, the Group is optimistic about the development potential of the third-generation gallium nitride (“GaN”) technology and will continue to focus on developing new GaN business during the Year, aiming to establish an independent, responsive and fully-integrated industry chain to contribute to PRC component substitution. During 2014, the Group's semiconductor factory in the Xuzhou Economic and Technological Development Zone, Jiangsu Province, PRC, installed two production lines to produce high-quality third-generation semiconductor products. In addition, the Group has currently been granted a total of 17 invention patents, utility model patents and appearance patents, out of which four are LED-related patents, with a number of invention patents pending for approval. With the successive commencement of the production of the third-generation semiconductor products as well as the prolonged enhancement of our research and development capabilities in terms of both software and hardware, the GaN production capacity of the Group has gradually been realised. In this regard, the Group will continue to bring in expertise from the third-

LETTER FROM THE BOARD

generation semiconductor industry to build on the strength of its research and technology team, and enhance its research and development capabilities, with a view to upgrading its product applications and technologies. Additionally, the Group will actively seek strategic cooperation agreements with an increased number of leading enterprises, with which complementarities will produce mutual benefits, boosting the continued rapid development of the industry chain. Therefore, the Directors consider it would be in the Company's interest to have the flexibility to grant Awards to Eligible Participants (including Service Providers) in recognition of their contribution to the Company and attract high-calibre personnel and business partners from the third-generation semiconductor industry. Having considered the financial position of the Group and the management's intention to preserve more cash for realisation of the GaN and other semiconductor production capacity of the Group, the grant of Awards under the 2023 Share Award Scheme represents an appropriate alternative for providing compensations and/or incentives to the Eligible Participants (including Service Providers). In addition, the grant of Awards under the 2023 Share Award Scheme will also align the interests of the prospective and existing grantees with those of the Group through ownership of Shares.

However, as set out in the announcement of the Company dated 6 February 2025 in relation to, among others, the Rights Issue, after completion of the Rights Issue, the total number of issued Shares increased from 751,054,785 to 938,818,481. With reference to the annual report of the Group for FY2024, the maximum number of Shares which may be awarded under the existing Scheme Mandate Limit and the existing Service Provider Sublimit were 75,105,478 Shares and 7,510,547 Shares, respectively. During FY2024, 75,105,478 Awarded Shares had been granted to the Eligible Participants and 1,965,478 Awarded Shares had lapsed. Although no Awards had been granted to the Service Providers as at the Latest Practicable Date, the Shares available for future grant under the existing Scheme Mandate Limit and the existing Service Provider Sublimit amount to 1,965,478 Shares and 1,965,478 Shares, respectively, which account for only approximately 0.21% and 0.21% of the total issued Shares of the Company as at the Latest Practicable Date respectively.

In light of the above and in order to provide the Company with greater flexibility in granting Awarded Shares to Eligible Participants (including Service Providers) under the 2023 Share Award Scheme as incentives or rewards for their contribution or potential contribution to the Group and/or to enable the Group to recruit and retain high-calibre personnel who are valuable to the Group, the Directors consider that it is essential for the Company to refresh the Scheme Mandate Limit and the Service Provider Sublimit, which allows the Company to continue to (i) provide equity incentives to Eligible Participants (including Service Providers) so as to continue to serve its intended purposes of aligning the interests of Eligible Participants (including Service Providers) with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares; and (ii) encourage and enable Eligible Participants (including Service Providers) to make contributions to the long-term growth and profits of the Group and share the success of the Group.

LETTER FROM THE BOARD

In light of the above, the Board considers that the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no concrete plan or intention to grant any Awarded Shares under the 2023 Share Award Scheme immediately after obtaining the Independent Shareholders' approval for the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. However, the Board does not rule out the possibility that the Company will grant any Awarded Shares in future. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

Conditions of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit

The proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is conditional upon:

- (i) the passing of separate ordinary resolution(s) by the Independent Shareholders to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM; and
- (ii) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, such number of Shares, which may be issued in respect of the Awards to be granted under the 2023 Share Award Scheme under the Scheme Mandate Limit and the Service Provider Sublimit so refreshed.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued in respect of all awards which may be granted under the 2023 Share Award Scheme under the Scheme Mandate Limit so refreshed.

LISTING RULES IMPLICATIONS

Pursuant to Rule 17.03C(1)(b)(i) of the Listing Rules, any refreshment of the Scheme Mandate Limit and the Service Provider Sublimit within any three-year period from the date of adoption of the scheme is subject to the Independent Shareholders' approval by way of ordinary resolution(s) at the EGM. Any controlling shareholders of the Company and their associates or, where there is no controlling shareholder of the Company, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors having made all reasonable enquiries, the Company had no controlling Shareholder. Accordingly, the Directors with interests in the Shares, together with their respective associates, are required to abstain from voting in favour of the relevant resolutions to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM.

As at the Latest Practicable Date, Mr. Zhao Yi Wen, being an executive Director, and his associates, were interested in 41,718,750 Shares, representing approximately 4.44% of the total number of Shares in issue. Accordingly, Mr. Zhao Yi Wen and his associates will abstain from voting in favour of the relevant resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM in compliance with Rule 17.03C(1)(b) of the Listing Rules.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed above and as at the Latest Practicable Date, no other Shareholder was required to abstain from voting on the relevant resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM.

Pursuant to Rule 17.03C(2) of the Listing Rules, the total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the listed issuer under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. As at the Latest Practicable Date, the Company did not hold any treasury Shares, and none of the Share Schemes involved the use of treasury Shares for satisfying the grant of Awarded Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, M.H. and Ms. Liu Wanwen, has been established to advise the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit.

PROPOSED APPOINTMENT OF AUDITORS

The audit committee of the Board (the "**Audit Committee**") has assessed and considered that CL Partners CPA Limited ("**CL Partners**") is eligible, qualified and suitable to carry out duties of the auditors of the Company. The Board, with the recommendation of the Audit Committee, is of the view that CL Partners is a sizeable accounting firm which should be able to devote appropriate

LETTER FROM THE BOARD

and adequate resources to handle the Company's audit work for the financial year ending 31 December 2025, and therefore proposes to appoint CL Partners as the new auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company.

In recommending CL Partners as the new auditors of the Company, the Audit Committee has considered a number of factors in assessing the eligibility and suitability of CL Partners to act as the auditors of the Company, including but not limited to (i) its audit fees; (ii) the resources to be allocated by CL Partners to the Company; (iii) its extensive experience in providing audit services for companies listed on the Stock Exchange; (iv) its independence from the Company and its subsidiaries; and (v) the guidelines issued by the Stock Exchange and the Accounting and Financial Reporting Council in respect of change of auditors.

Based on the above, the Audit Committee and the Board are of the view that (a) the audit fees proposed by CL Partners is commensurate with the extent of audit work required and is more cost-effective, taking into account the current macroeconomic environment and the financial expenditures of the Group; (b) CL Partners possesses the necessary knowledge and expertise required for the Group's audit work; (c) the resources to be allocated by CL Partners to the audit engagement are sufficient and appropriate; and (d) CL Partners is independent, competent and capable to perform a high-quality audit for the financial year ending 31 December 2025.

The Board proposes to seek the approval of the Shareholders regarding the proposed appointment of CL Partners (the **"Proposed Appointment"**) by way of an ordinary resolution at the EGM. The Proposed Appointment is subject to the passing of the ordinary resolution in respect of the Proposed Appointment at the EGM and the completion of the relevant audit engagement acceptance procedures of CL Partners.

EGM AND PROXY ARRANGEMENT

The EGM will be held for the purpose of considering and, if thought fit, approving the ordinary resolution(s) for (i) the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit and (ii) appointment of new auditors.

A notice convening the EGM to be held at 3:00 p.m. on Thursday, 31 July 2025 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the People's Republic of China is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed. Such form of proxy is also published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.hg-semiconductor.com.

Whether or not you are able to attend the EGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Boardroom Share Registrars (HK) Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong as soon as possible but in any event not later than 48 hours before the time

LETTER FROM THE BOARD

appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING AT THE EGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution(s) to be put forward at the EGM will be voted by way of poll by the Shareholders. An announcement on the poll results will be made by the Company after the EGM, in the manner prescribed under Rule 13.39(5) of the Listing Rules, on the results of the EGM.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will not be closed for the purpose of ascertaining the right of Shareholders to attend and vote at the EGM to be held on Thursday, 31 July 2025. However, in order to qualify for attending and voting at the EGM or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Tuesday, 29 July 2025. Shareholders whose names appear on the register of members of the Company on Tuesday, 29 July 2025 will be entitled to attend and vote at the EGM.

RECOMMENDATION

Based on the above, the Directors (including members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee in this circular after taking into account the advice of the Independent Financial Adviser) are of the opinion that the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is fair and reasonable and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM. In addition, the Directors consider that the above proposed resolution regarding the proposed appointment of auditors is in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favor of the resolution to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 15 of this circular which contains its recommendation to the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 16 to

LETTER FROM THE BOARD

25 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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



HG SEMICONDUCTOR LIMITED

宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

**PROPOSED REFRESHMENT OF
SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT**

15 July 2025

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 15 July 2025 (“**Circular**”), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 16 to 25 of the Circular and the letter from the Board as set out on pages 4 to 14 of the Circular.

Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion of the Independent Financial Adviser as stated in the letter of advice from the Independent Financial Adviser, we are of the view that the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Zou Haiyan

Mr. Siu Miu Man, Simon, MH.

Ms. Liu Wanwen

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit, which has been prepared for the purpose of inclusion in this circular.



15 July 2025

To the Independent Shareholders

Dear Sirs,

PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 15 July 2025 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

With reference to the Letter from the Board, the 2023 Share Award Scheme was adopted by the Shareholders on 29 December 2023. Pursuant to the existing Scheme Mandate Limit, the maximum number of Shares that may be granted under the 2023 Share Award Scheme shall not exceed 75,105,478 Shares, representing approximately 10% of the total number of Shares in issue on 29 December 2023, being the date of approval of the 2023 Share Award Scheme. As the Service Provider Sublimit was determined based on 10% of the Scheme Mandate Limit, the maximum number of Shares in respect of Awards that may be granted to the Service Providers shall not exceed 7,510,547 shares, representing approximately 1% of the then total number of Shares in issue. According to the Letter from the Board, as at the Latest Practicable Date, approximately 97% of the existing Scheme Mandate Limit had been utilised. In view of the above, the Company proposed to refresh the Scheme Mandate Limit and the Service Provider Sublimit.

Pursuant to Rule 17.03C(1)(b)(i) of the Listing Rules, any refreshment of the Scheme Mandate Limit and the Service Provider Sublimit within any three-year period from the date of adoption of the scheme is subject to the Independent Shareholders’ approval by way of an ordinary resolution at the EGM. Any controlling shareholder of the Company and their associates or, where there is no controlling shareholder of the Company, the Directors (excluding independent non-executive

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit at the EGM.

Pursuant to Rule 17.03C(2) of the Listing Rules, the total number of Shares which may be issued in respect of all options and awards to be granted under the Share Schemes under the Scheme Mandate Limit as “refreshed” must not exceed 10% of the relevant class of shares of the Company in issue (excluding treasury shares) as at the date of approval of the refreshed Scheme Mandate Limit. As at the Latest Practicable Date, the Company did not hold any treasury Shares, and none of the Share Schemes involved the use of treasury Shares for satisfying the grant of Awarded Shares.

The EGM will be convened at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the proposed refreshment of the Scheme Mandate Limit so as to allow the Company to grant new awards under the 2023 Share Award Scheme in aggregate up to 10% of the issued share capital of the Company (excluding treasury Shares) as at the date of passing such ordinary resolution(s). In addition, the Board proposed to proportionally refresh the Service Provider Sublimit in accordance with the refreshed Scheme Mandate Limit.

As at the Latest Practicable Date, the Company had 938,818,481 Shares in issue. Assuming that all the conditions of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit are fulfilled and that there will be no change in the total number of Shares in issue from the Latest Practicable Date and up to (and including) the date of the EGM, (i) the maximum number of the Shares which may be issued in respect of all options and awards to be granted under the Share Schemes will be 93,881,848 Shares, representing approximately 10% of the total number of Shares in issue as at the date of the EGM, under the Scheme Mandate Limit so refreshed; and (ii) the maximum number of Shares in respect of all options and awards which may be granted to Service Providers will be 9,388,184 Shares, representing approximately 1% of the total number of Shares in issue as at the date of the EGM, under the Service Provider Sublimit so refreshed.

As stated in the Letter from the Board, for the avoidance of doubt, the refreshment of the Scheme Mandate Limit is not conditional on the Shareholders’ approval of the refreshment of the Service Provider Sublimit. In the event that the resolution approving the refreshment of the Service Provider Sublimit is voted down, the Company will not make any grant to the Service Provider unless and until a revised Service Provider Sublimit has been approved by the Shareholders separately.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH. and Ms. Liu Wanwen, has been established in accordance with the Listing Rules to advise the Independent Shareholders in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. We, Lego Corporate Finance Limited, have been appointed by the Company as the Independent Financial Adviser in accordance with the requirement of the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Group or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years prior to the Latest Practicable Date, Lego Corporate Finance Limited had acted as independent financial adviser to the Company in relation to the adjustments to number of awarded shares granted under the 2023 Share Award Scheme, details of which were disclosed in the section headed “PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT” in the Letter from the Board. Apart from any normal professional fees paid or payable to us in connection with the aforesaid appointment and the appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are independent from the Company pursuant to the requirements under Rule 13.84 of the Listing Rules and therefore are qualified to give independent advice in respect of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit.

BASIS OF OUR ADVICE

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular were true at the time they were made and have continued to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truthfulness, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all material respects at the time they were made and have continued to be so until the date of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or any of their respective associates. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

This letter is issued for the information of the Independent Shareholders solely in connection with their consideration of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit. Except for its inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit, we have taken into account the principal factors and reasons set out below:

1. INFORMATION OF THE GROUP

The principal activities of the Group are mainly engaged in the design, development, manufacturing, subcontracting and sales of semiconductor products, including light-emitting diode (“LED”) beads, new generation of semiconductor gallium nitride (“GaN”) chips, and GaN device related application products in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises certain financial information of the Group for (i) the year ended 31 December 2022 (“**FY2022**”) as extracted from the annual report of the Company for the year ended 31 December 2023 (“**FY2023**”) (“**2023 Annual Report**”); and (ii) FY2023 and the year ended 31 December 2024 (“**FY2024**”) as extracted from the annual report of the Company for FY2024 (“**2024 Annual Report**”).

	For the year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Revenue	87,518	88,600	75,282
— LED products	87,185	85,646	73,922
— GaN and other semiconductor	333	2,954	1,360
 Loss for the year attributable to owners of the Company	 (101,287)	 (150,723)	 (156,819)
	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
Non-current assets	431,924	441,070	377,950
Current assets	286,384	323,816	251,664
Current liabilities	(97,168)	(39,448)	(48,207)
Non-current liabilities	(11,915)	(4,828)	(3,618)
Net current assets	189,216	284,368	203,457
Net assets attributable to owners of the Company	593,754	683,730	540,837

FY2023 compared to FY2022

The Group’s revenue slightly increased by approximately 1.3% from approximately RMB87.5 million for FY2022 to approximately RMB88.6 million for FY2023. According to the 2023 Annual Report, such year-on-year increase was mainly due to a year-on-year increase in the revenue from GaN and other semiconductor segment in FY2023, which was partially offset by the year-on-year decrease in the revenue from LED products in FY2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's loss attributable to the owners of the Company enlarged by approximately 48.8% from approximately RMB101.3 million for FY2022 to approximately RMB150.7 million for FY2023. According to the 2023 Annual Report, such deteriorating performance was primarily attributable to (i) the decrease in gross profit margin of LED products as a result of the increase in the cost of material used; (ii) the impairment loss on property, plant and equipment; (iii) the loss arising on financial liabilities extinguished; and (iv) the impairment loss on intangible assets recognised for FY2023, whereas no such loss recognitions have been made for FY2022.

As at 31 December 2023, net current assets and net assets attributable to owners of the Company amounted to approximately RMB284.4 million and approximately RMB683.7 million, respectively.

FY2024 compared to FY2023

The Group's revenue decreased by approximately 15.0% from approximately RMB88.6 million for FY2023 to approximately RMB75.3 million for FY2024. According to the 2024 Annual Report, such year-on-year decrease was mainly due to the year-on-year decrease in revenue from LED products as resulted from the sluggish real estate market, weak consumer demand for electronic products and intensified competition within the LED industry, which had collectively imposed an impact on the overall demand for the Group's products during FY2024.

The Group's loss attributable to the owners of the Company increased by approximately 4.0% from approximately RMB150.7 million for FY2023 to approximately RMB156.8 million for FY2024. According to the 2024 Annual Report, such increase was primarily attributable to, among others, (i) the increase in the provision on expected credit losses on trade and bills receivables and other receivables; (ii) the increase in the administrative and other expenses; and (iii) the impairment loss of assets classified as held for sale recognised for FY2024 whereas no such recognition has been made for FY2023, partially offset by (i) the nil recognition of loss arising on financial liabilities extinguished for FY2024 against the recognition made for FY2023; (ii) the decrease in the impairment loss of intangible assets; and (iii) the decrease in finance cost for FY2024.

As at 31 December 2024, net current assets and net assets attributable to owners of the Company amounted to approximately RMB203.5 million and approximately RMB540.8 million, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. REASONS FOR AND BENEFITS OF THE PROPOSED REFRESHMENT OF THE SCHEME MANDATE LIMIT AND THE SERVICE PROVIDER SUBLIMIT

The 2023 Share Award Scheme was approved and adopted by the then Shareholders on 29 December 2023, pursuant to which a maximum of 75,105,478 Shares and a maximum of 7,510,547 Shares may be granted under the Scheme Mandate Limit and the Service Provider Sublimit, respectively. According to the Letter from the Board, as at the Latest Practicable Date, approximately 97% of the existing Scheme Mandate Limit had been utilised.

In the event that the refreshed Scheme Mandate Limit and the refreshed Service Provider Sublimit are not granted and the Company refreshes the Scheme Mandate Limit and the Service Provider Sublimit after the 3-year period pursuant to the Rule 17.03C(1) of the Listing Rules, such refreshment could only be conducted on or after 29 December 2026, being approximately 17 months away from the Latest Practicable Date, which would restrict the Company from utilising equity settled share-based payments as part of their compensation practices during the aforesaid period.

Furthermore, according to the 2024 Annual Report, as at 31 December 2024, the Group's interest-bearing borrowings amounted to approximately RMB10.0 million, whilst its cash and cash equivalents amounted to approximately RMB8.8 million. Taking into account the financial position of the Group, the grant of awards under the 2023 Share Award Scheme represents a relatively more appropriate mean for providing incentives to the Eligible Participants (including the Service Providers) as compared to other means of incentive, such as cash bonus or gift, as it will help preserve the cash resources for the Group's operations.

Having considered that (i) the existing Scheme Mandate Limit and existing Service Provider Sublimit had been nearly fully utilised as at the Latest Practicable Date; and (ii) the refreshed Scheme Mandate Limit and the refreshed Service Provider Sublimit, which in our view represent relatively more appropriate means as compared to others, would allow the Company to continue to have more flexibility in providing incentives or rewards to the Eligible Participants (including the Service Providers) for their contributions to the Group, and to enable the Group to recruit and retain high quality personnel by aligning their interests with those of the Group and encouraging them to contribute towards the long-term growths of the Group, we are of the view that the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. POTENTIAL CHANGES TO SHAREHOLDING OF THE SHAREHOLDERS

As advised by the Management, the table below sets out the respective shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming that there will be no change in the total number of Shares in issue from the Latest Practicable Date); and (iii) immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming that there will be no change in the total number of Shares in issue from the Latest Practicable Date, save for (a) the full exercise of the outstanding Share Options; and (b) the full vesting and acceptance of the outstanding awards granted under the 2023 Share Award Scheme (including those 6,360,000 vested 2024 Jan Awarded Shares and excluding those that had lapsed) (the “**Outstanding Awards**”), for illustrative and reference purposes:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming there will be no change in the total number of Shares in issue from the Latest Practicable Date)		Immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming there will be no change in the total number of Shares in issue from the Latest Practicable Date, save for (a) the full exercise of the outstanding Share Options; and (b) the full vesting and acceptance of the Outstanding Awards)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
Jovial Star International Limited ^(Note 1)	161,817,231	17.24	161,817,231	15.67	161,817,231	14.31
Wide Yield Investment Holding Limited ^(Note 2)	125,625,000	13.38	125,625,000	12.16	125,625,000	11.11
Executive Directors:						
Dr. Xu Zhihong	—	—	—	—	937,500	0.08
Zhao Yi Wen ^(Note 3)	41,718,750	4.44	41,718,750	4.04	42,656,250	3.77
Mr. Li Yang	—	—	—	—	937,500	0.08
Independent non-executive Directors:						
Mr. Zou Haiyan	—	—	—	—	250,000	0.02
Mr. Siu Miu Man, Simon, MH	—	—	—	—	250,000	0.02
Ms. Liu Wanwen	—	—	—	—	250,000	0.02

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at the Latest Practicable Date		Immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming there will be no change in the total number of Shares in issue from the Latest Practicable Date)		Immediately upon full utilisation of the refreshed Scheme Mandate Limit as well as vesting and/or exercise of all the awards and options to be granted thereunder (assuming there will be no change in the total number of Shares in issue from the Latest Practicable Date, save for (a) the full exercise of the outstanding Share Options; and (b) the full vesting and acceptance of the Outstanding Awards)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Public Shareholders						
Other public Shareholders	609,657,500	64.94	609,657,500	59.04	609,657,500	53.90
Maximum number of new Shares that can be issued under the refreshed Scheme Mandate Limit	—	—	93,881,848	9.09	93,881,848	8.30
Maximum number of new Shares that can be issued upon exercise of the outstanding Share Options	—	—	—	—	8,595,000	0.76
Maximum number of new Shares that can be issued upon vesting of the Outstanding Awards (excluding those new Shares to be issued to the Directors)	—	—	—	—	86,272,500	7.63
Sub-total	609,657,500	64.94	703,539,348	68.13	798,406,848	70.59
Total issued Shares	938,818,481	100	1,032,700,329	100	1,131,130,329	100

Note:

- As the sole shareholder of Jovial Star International Limited, as at the Latest Practicable Date, Mr. Zhan Haisu was deemed to be interested in those 161,817,231 Shares held by Jovial Star International Limited under the SFO.
- As the sole shareholder of Wide Yield Investment Holding Limited, as at the Latest Practicable Date, Ms. Qin Anqi was deemed to be interested in the 125,625,000 Shares held by Wide Yield Investment Holding Limited under the SFO.
- The 41,718,750 Shares in which Mr. Zhao Yi Wen was interested includes 21,500,000 Shares held by First Global Limited, in which Mr. Zhao was deemed to be interested under the SFO by virtue of being the sole shareholder of First Global Limited as at the Latest Practicable Date.
- The sum of the percentages represented may not add up to 100.00% due to rounding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, immediately upon full utilisation of the refreshed Scheme Mandate Limit and vesting and/or exercise of all the awards and options to be granted thereunder, the shareholding of the existing public Shareholders would be changed from approximately 64.94% as at the Latest Practicable Date to (i) approximately 68.13%, assuming that there will be no change in the total number of Shares in issue from the Latest Practicable Date; and (ii) approximately 70.59%, assuming that there will be no change in the total number of Shares in issue from the Latest Practicable Date but save for (a) the full exercise of the outstanding Share Options; and (b) the full vesting of the Outstanding Awards.

Taking into account the reasons for and benefits of the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit as analysed in the previous sub-section of this letter, in particular, the refreshed Scheme Mandate Limit and the Service Provider Sublimit would allow the Company to have more flexibility in providing incentives or rewards to the Eligible Participants and/or Service Providers for their contributions which are beneficial to the business operations of the Group, we are of the opinion that the potential changes to the shareholdings of the existing public Shareholders under different scenarios as mentioned above is fair and reasonable.

RECOMMENDATIONS

Having taken into consideration the factors and reasons as stated in this letter, we are of the view that the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the proposed refreshment of the Scheme Mandate Limit and the Service Provider Sublimit.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited

Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in the accounting and investment banking industries.

NOTICE OF THE EGM



HG SEMICONDUCTOR LIMITED

宏光半導體有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of HG Semiconductor Limited (the “Company”) will be held at 3:00 p.m. on Thursday, 31 July 2025 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the People’s Republic of China for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** conditional upon the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, shares of HK\$0.01 each of the Company (each a “Share”) that may be issued pursuant to further awards which may be granted by the Company under its share award scheme (the “**2023 Share Award Scheme**”) adopted by the shareholders of the Company by way of an ordinary resolution passed at the extraordinary general meeting of the Company held on 29 December 2023, the Scheme Mandate Limit (as defined in the rules of the 2023 Share Award Scheme, which is applicable to shares of the Company all options and/or awards which may be granted or awarded under the 2023 Share Award Scheme and any other share award scheme(s) and share option scheme(s) of the Company) be and is hereby refreshed and that the directors of the Company be and are hereby authorised to grant further awards under the 2023 Share Award Scheme in accordance with the rules thereof pursuant to the Scheme Mandate Limit as refreshed, provided that:
 - (a) the total number of Shares which may be allotted and issued pursuant to further awards which may be granted under the 2023 Share Award Scheme and other further options and awards which may be granted under any other share option scheme(s) and share award scheme(s) of the Company under the Scheme Mandate Limit as refreshed hereby shall not exceed 10% of the total number of Shares in issue as at the date of passing this resolution (the “**Refreshed Limit**”); and
 - (b) awards previously granted under the 2023 Share Award Scheme and options and awards previously granted under any other share option scheme(s) and share award scheme(s) of the Company (including those outstanding, cancelled, lapsed, exercised or vested in

NOTICE OF THE EGM

accordance with the terms of the 2023 Share Award Scheme or any other share option scheme(s) and share award scheme(s) of the Company) will not be counted for the purpose of calculating the Refreshed Limit.”

2. “**THAT** conditional upon the passing of resolution numbered 1 above and such resolution becoming unconditional, the Service Provider Sublimit (as defined in the rules of the 2023 Share Award Scheme (as defined in resolution numbered 1 above)) be and is hereby refreshed and the directors of the Company be and are hereby authorised to grant further awards to Service Providers (as defined in the rules of the 2023 Share Award Scheme) under the 2023 Share Award Scheme in accordance with the rules thereof pursuant to the Service Provider Sublimit as refreshed, provided that the total number of Shares which may be allotted and issued pursuant to further awards which may be granted under the Service Provider Sublimit as refreshed hereby shall not exceed 1% of the total number of Shares in issue as at the date of passing this resolution.”
3. “**THAT** CL Partners CPA Limited be and are hereby appointed as the auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company and the directors of the Company be and are hereby authorized to fix their remuneration.”

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

Hong Kong, 15 July 2025

Registered Office in the Cayman Islands:
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P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarter and principal place of business in Hong Kong:
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26th Floor
West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

NOTICE OF THE EGM

Notes:

1. A member of the Company entitled to attend and vote at the EGM shall be entitled to appoint one or if he/she/it is a holder of two or more shares of the Company, more than one proxies to attend and vote in his/her/its stead. A proxy need not be a member of the Company but must be present in person in the EGM to represent the member. Completion and return of the form of proxy will not preclude a member of the Company from attending the EGM and voting in person should he/she/it so wish. In such event, his form of proxy will be deemed to have been revoked.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. A form of proxy for the EGM is enclosed. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with Boardroom Share Registrars (HK) Limited, the Company's Hong Kong branch share registrar and transfer office, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 48 hours before the time for holding the EGM or any adjournment thereof.
4. The register of members of the Company will not be closed for the purpose of ascertaining the right of Shareholders to attend and vote at the EGM to be held on Thursday, 31 July 2025. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with Boardroom Share Registrars (HK) Limited, the Company's Hong Kong branch share registrar and transfer office, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 29 July 2025. Shareholders whose names appear on the register of members of the Company on Tuesday, 29 July 2025 will be entitled to attend and vote at the EGM.
5. The resolution(s) set out in this notice shall be decided by way of poll.

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