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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)**

### **ADOPTION OF EMPLOYEE SHARE INCENTIVE SCHEME**

Reference is made to the announcement of the Company dated 20 September 2023 in relation to, among other things, the entering into of the Equity Transfer Agreement pursuant to which Swift Power transferred to the Employee Shareholding Platform the Equity Interests in Jiangsu Jiahong Semiconductor for the purpose of implementing and facilitating the administration and operation of the Employee Share Incentive Scheme.

#### **ADOPTION OF THE EMPLOYEE SHARE INCENTIVE SCHEME**

The Board announces that on 29 December 2023, the Employee Share Incentive Scheme was adopted whereby the Eligible Participants will be provided with opportunities to indirectly invest in Jiangsu Jiahong Semiconductor and share the future growth and success of Jiangsu Jiahong Semiconductor through the Employee Shareholding Platform.

#### **THE SCHEME ADMINISTRATION AND OPERATION AGREEMENT**

On 29 December 2023, the Company, Swift Power, Shenzhen Jiahong Semiconductor, Jiangsu Jiahong Semiconductor and the Employee Shareholding Platform entered into the Scheme Administration and Operation Agreement in relation to the administration, operation, rights and obligations of the Employee Share Incentive Scheme amongst the Parties.

#### **LISTING RULES IMPLICATION**

The Employee Share Incentive Scheme does not constitute a share scheme pursuant to Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Employee Share Incentive Scheme.

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The principal terms of the Employee Share Incentive Scheme are set out below:

Purpose	The purpose of the Employee Share Incentive Scheme is to recognise and reward the contributions of the Eligible Participants for the growth and development of and to provide them with incentives and align their interests with Shenzhen Jiahong Semiconductor in order to retain them for the continual operation, development and long-term growth of Jiangsu Jiahong Semiconductor and to attract suitable personnel for further development of Jiangsu Jiahong Semiconductor.
Implementation	The Employee Share Incentive Scheme shall be implemented and approved by the managing director or (as the case may be) the board (the “ <b>Target Company Board</b> ”) of directors of Shenzhen Jiahong Semiconductor (being the sole shareholder of Jiangsu Jiahong Semiconductor) in accordance with the Scheme Rules.
Eligible Participants	The eligibility of any candidates to the Incentive Interests is to be proposed by the general manager of Shenzhen Jiahong Semiconductor and approved by the Target Company Board. The Eligible Participant(s) include any individual(s), being (i) the employees of Shenzhen Jiahong Semiconductor with major contributions for its establishment; (ii) the senior management and employee of the Group who has provided major contributions to the development of Group; (iii) the quality migrant to be employed by the Group; and (iv) other parties to be confirmed by the Target Company Board who will have major contributions for the development of the Group.

Incentive Interests	The aggregate of the 99% partnership interests of the Limited Partner in the Employee Shareholding Platform which directly hold the 21.01% equity interests in Shenzhen Jiahong Semiconductor and the effective interest of 21.01% in Jiangsu Jiahong Semiconductor through the Employee Shareholding Platform's ownership in Shenzhen Jiahong Semiconductor.
Grant and restrictions	The Target Company Board may, from time to time, at its discretion select any Eligible Participants to be a Selected Participant in accordance with the Scheme Rules.
Payment for the Incentive Interests by the Selected Participants	The Incentive Interests to be awarded to the Selected Participants shall be paid for by the Selected Participants to the Employee Shareholding Platform within a specified time limit to be set by Shenzhen Jiahong Semiconductor.
Duration	Subject to any termination of the Employee Share Incentive Scheme in accordance with the Scheme Rules, no grant of the Incentive Interests under the Employee Share Incentive Scheme shall be made after 30 June 2026.
Scheme Limit	Pursuant to the Scheme Rules, there is no limit regarding the maximum amount of Incentive Interests to be granted to the Selected Participants.
Operation	Pursuant to the Scheme Rules, the Employee Shareholding Platform has been established to hold the 21.01% equity interests in Shenzhen Jiahong Semiconductor and the effective interest of 21.01% in Jiangsu Jiahong Semiconductor through the Employee Shareholding Platform's ownership in Shenzhen Jiahong Semiconductor while the partnership interests of the Employee Shareholding Platform will be transferred to the relevant Selected Participants by the Limited Partner.

## THE SCHEME ADMINISTRATION AND OPERATION AGREEMENT

On 29 December 2023, the Company, Swift Power, Shenzhen Jiahong Semiconductor, Jiangsu Jiahong Semiconductor and the Employee Shareholding Platform (the “**Parties**”) entered into the Scheme Administration and Operation Agreement in relation to the administration, operation, rights and obligations of the Employee Share Incentive Scheme amongst the Parties. The principal terms of the Scheme Administration and Operation Agreement are set out below:

Incentive Interests	The Incentive Interests to be granted to the Selected Participants shall be the partnership interests in the Employee Shareholding Platform and each of the Selected Participants shall become a limited partner of the Employee Shareholding Platform upon receipt of the Incentive Interests granted. Each of the Selected Participants shall indirectly hold the equity interests in Shenzhen Jiahong Semiconductor through his/her ownership of the Incentive Interests.
Grant of Incentive Interests	The grant of the Incentive Interests to the Selected Participants shall be approved by the Board. The Employee Shareholding Platform and the Partners shall act in accordance with the instruction of the Board.
Transfer of equity interests in Shenzhen Jiahong Semiconductor not awarded under the Employee Share Incentive Scheme	If the Incentive Interests are not entirely granted to the Eligible Participants on or before 30 June 2026, the Employee Shareholding Platform shall transfer the unawarded amount of its equity interest in Shenzhen Jiahong Semiconductor to Swift Power at the same per dollar consideration of the paid-up equity interests paid by the Employee Shareholding Platform to Shenzhen Jiahong Semiconductor (if it has already been paid up).

## INFORMATION OF THE PARTIES

### Swift Power

Swift Power is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and is an investment holding company. As at the date of this announcement, it is holding approximately 59.09% equity interest in Shenzhen Jiahong Semiconductor.

### The Employee Shareholding Platform

The Employee Shareholding Platform is a limited partnership established in the PRC. As at the date of this announcement, the Employee Shareholding Platform is held by Dr. Chen Zhen as the Limited Partner holding 99% partnership interests in the Employee Shareholding Platform and Xuzhou Renheng as the General Partner holding 1% partnership interests in the Employee Shareholding Platform while Xuzhou Renheng is held as to 51% and 49% by Dr. Xu Zhihong and Dr. Chen Zhen respectively.

## **Jiangsu Jiahong Semiconductor**

Jiangsu Jiahong Semiconductor is a company incorporated in the PRC with limited liability. As at the date of this announcement, Jiangsu Jiahong Semiconductor is wholly owned by Shenzhen Jiahong Semiconductor. The Group has commenced its GaN business through Jiangsu Jiahong Semiconductor and set up a new factory in the Xuzhou Economic and Technological Development Zone which comprised 7,000 square meters ultra clean chambers and 850 square meters office area (the “**Xuzhou Factory**”). It was contemplated that a production line for manufacturing GaN related products would be installed in the Xuzhou Factory, the facilities of which would be further upgraded to full automation in the future.

The Xuzhou Factory has recently started manufacturing its own 6-inch GaN power device epitaxial wafers. It is in the progress of procuring machines and related production equipment and the full production of GaN chip in Xuzhou Factory is expected to commence by early 2024. The engineers of the research and development of Jiangsu Jiahong Semiconductor will promote the GaN chips by implementing the GaN chips in the circuitry designed for different applications, to raise the customers’ loyalty.

## **Shenzhen Jiahong Semiconductor**

Shenzhen Jiahong Semiconductor is a company incorporated in the PRC with limited liability. As at the date of this announcement, Shenzhen Jiahong Semiconductor (i) is an indirect non-wholly owned subsidiary of the Company whereby the Company owns approximately 59.09% equity interests in it through Swift Power and (ii) is the sole shareholder of Jiangsu Jiahong Semiconductor and the major asset of Shenzhen Jiahong Semiconductor is the entire equity interest of Jiangsu Jiahong Semiconductor. The business scope of Shenzhen Jiahong Semiconductor includes manufacturing and sales of semiconductor products and related equipment, manufacturing, sales and design of integrated circuits and related chips, manufacturing and sales of electronic products, computer software, hardware, and auxiliary equipment, provision of technical development services, consultation and promotional services.

## **REASONS FOR AND BENEFITS OF IMPLEMENTING THE EMPLOYEE SHARE INCENTIVE SCHEME**

The Company is an exempt company incorporated in the Cayman Islands. The Group is principally engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including light-emitting diode beads, GaN chips, GaN components and related application products, and fast charging products in the PRC.

The Employee Share Incentive Scheme has been adopted to recognise the contributions by the Selected Participants to the Group whereby the Eligible Participants will be provided with opportunities to indirectly invest in Jiangsu Jiahong Semiconductor and share the future growth and success of Jiangsu Jiahong Semiconductor through the Employee Shareholding Platform, details of which are set out in the section headed “Adoption of the Employee Share Incentive Scheme” of this announcement. To

implement the Employee Share Incentive Scheme, the Employee Shareholding Platform has been established to hold the Equity Interests indirectly for the Selected Participants. Pursuant to the Scheme Administration and Operation Agreement, the partnership interests of the Employee Shareholding Platform will be transferred to the relevant Selected Participants by the Limited Partner.

It is expected that the payment to be made by the Selected Participants shall be financed by a special bonus to be granted by the Company or its designated subsidiary(ies) to the Selected Participants according to the amount of Incentive Interests to be granted to the Selected Participants.

The Board is of the view that the Employee Share Incentive Scheme will help to establish a long-term incentive mechanism for the Eligible Participants, further stimulate the vitality of talents in the power semiconductor industry, and form a virtuous cycle of common growth of Jiangsu Jiahong Semiconductor and the Eligible Participants, so as to better promote the development of the GaN related products of the Group. The Employee Shareholding Platform was established and administered pursuant to the Scheme Administration and Operation Agreement for the purpose of implementation of the Employee Share Incentive Scheme. The Board considers that the terms and conditions of the Employee Share Incentive Scheme are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

In view of his interests in the Employee Shareholding Platform, Dr. Xu Zhihong, being an executive Director, has abstained from voting on the Board resolutions approving the Employee Share Incentive Scheme. Save as disclosed above, none of the Directors has any material interest in the transactions under the Employee Share Incentive Scheme and none of them has abstained from voting on the relevant Board resolutions.

## **LISTING RULES IMPLICATION**

The Employee Share Incentive Scheme does not constitute a share scheme pursuant to Chapter 17 of the Listing Rules. No Shareholders' approval is required to adopt the Employee Share Incentive Scheme.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	HG Semiconductor Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 6908)
“Directors”	the director(s) of the Company

“Dr. Chen Zhen”	Dr. Chen Zhen, who is a Limited Partner holding 99% partnership interests in the Employee Shareholding Platform
“Dr. Xu Zhihong”	Dr. Xu Zhihong, an executive Director
“Eligible Participant(s)”	any individual(s), being (i) the employees of Shenzhen Jiahong Semiconductor with major contributions for its establishment; (ii) the senior management and employee of the Group who has provided major contributions to the development of Group; (iii) the quality migrant to be employed by the Group; and (iv) other parties to be confirmed by the Target Company Board who will have major contributions for the development of the Group
“Employee Shareholding Platform”	Xuzhou Diheng Semiconductor Technology Partnership* (徐州地恆半導體科技合夥企業(有限合夥)), a limited partnership established in the PRC
“Employee Share Incentive Scheme”	an employee share incentive scheme of Shenzhen Jiahong Semiconductor established whereby the Eligible Participants will be provided with opportunities to indirectly invest in Jiangsu Jiahong Semiconductor
“Equity Interests”	USD6.303 million (equivalent to approximately RMB43.4 million) registered capital paid-up by Swift Power to Jiangsu Jiahong Semiconductor, representing approximately 21.01% of the entire registered capital of Jiangsu Jiahong Semiconductor of USD30 million
“Equity Transfer”	the transfer of the Equity Interest from Swift Power to Employee Shareholding Platform pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the agreement dated 28 April 2023 entered into between Swift Power and the Employee Shareholding Platform pursuant to which Swift Power transferred to the Employee Shareholding Platform the Equity Interest
“GaN”	Gallium Nitride
“General Partner”	the general partner of the Employee Shareholding Platform
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China



“Incentive Interest(s)”	the aggregate of the 99% partnership interest(s) of the Limited Partner in the Employee Shareholding Platform to be awarded and transferred to the Selected Participants pursuant to the Employee Share Incentive Scheme
“Jiangsu Jiahong Semiconductor”	Jiangsu Jiahong Semiconductor Co., Ltd.* (江蘇鎔宏半導體有限公司) (formerly known as Xuzhou GSR Semiconductor Co., Ltd.* (徐州金沙江半導體有限公司)), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of the Company
“Limited Partner”	the limited partner of the Employee Shareholding Platform
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Administration and Operation Agreement”	the agreement dated 29 December 2023 entered into amongst the Company, Swift Power, Shenzhen Jiahong Semiconductor, Jiangsu Jiahong Semiconductor and the Employee Shareholding Platform in relation to the administration and operation of the Employee Share Incentive Scheme
“Scheme Rules”	the rules relating to the Employee Share Incentive Scheme
“Selected Participants”	the Eligible Participants selected by the Target Company Board to participate in the Employee Share Incentive Scheme pursuant to the Scheme Rules, and each a “Selected Participant”
“Shareholder(s)”	the shareholder(s) of the Company
“Shenzhen Jiahong Semiconductor”	Shenzhen Jiahong Semiconductor Company Limited* (深圳鎔宏半導體有限公司), a company incorporated in the PRC with limited liability which is owned by Swift Power, the Employee Shareholding Platform, Join Gain HK Limited, Red Mont HK Limited and 台州匯融嘉能友創股權投資合夥企業(有限合夥) (Taizhou Huirong Jianeng Youchuang Investment Management Partnership (Limited Partnership)*) as to approximately 59.09%, 19.10%, 8.17%, 4.55% and 9.09% respectively as at the date of this announcement, details of the shareholding of Shenzhen Jiahong Semiconductor are set out in the announcement of the Company dated 28 September 2023



“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Swift Power”	Swift Power Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“Xuzhou Renheng”	Xuzhou Renheng Semiconductor Technology Company Limited* (徐州人恆半導體科技有限公司), a company incorporated in the PRC owned by Dr. Xu Zhihong and Dr. Chen Zhen as to 51% and 49% respectively and it is the General Partner as at the date of the Equity Transfer Agreement and the date of this announcement
“%”	per cent.

For illustration purpose, amounts in USD in this announcement have been translated into RMB at the rate of USD1 = RMB6.884. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in USD or RMB have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 29 December 2023

*As at the date of this announcement, the executive Directors are Dr. Xu Zhihong, Mr. Zhao Yi Wen, Mr. Lu Kailin (formerly known as Mr. Lyu Xiangrong) and Mr. Leung Kin Pang; the non-executive Director is Dr. Wang David Nin-kou; and the independent non-executive Directors are Mr. Li Yang, Mr. Zou Haiyan and Mr. Siu Miu Man, Simon, MH.*

*If there is any inconsistency in this announcement between the Chinese and English versions, the English version shall prevail.*

\* *For illustration purposes only*