THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, 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)

DISCLOSEABLE AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

Lego Corporate Finance Limited

Lego Corporate Finance Limited
力高企業融資有限公司

All capitalised terms used herein shall have the same meanings as those set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 7 to 25 of this circular. A letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the Proposed Acquisitions contemplated thereunder, is set out on pages 28 to 52 of this circular.

A notice convening the EGM to be held at 2:00 p.m. on Thursday, 22 January 2026 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the PRC is set out on pages EGM-1 to EGM-4 of this circular. 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.

7 January 2026

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

"Agreement A"	the sale and purchase agreement dated 1 December 2025 entered into between the Company and Vendors A in relation to the Sale Shares A
"Agreement B"	the sale and purchase agreement dated 1 December 2025 entered into between the Company and Vendor B in relation to the Sale Share B
"Agreements"	the Agreement A and the Agreement B
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday, Sunday, public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect or an "extreme conditions" warning is announced or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"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)
"Completion"	Completion A and/or Completion B (as the case may be)
"Completion A"	completion of the proposed acquisition of Target Company A in accordance with the terms and conditions of the Agreement A
"Completion B"	completion of the proposed acquisition of Target Company B in accordance with the terms and conditions of the Agreement B
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Consideration A"	HK$73,388,000, being the purchase price for the Sale Shares A
"Consideration B"	HK$40,816,000, being the purchase price for the Sale Share B
"Consideration Shares"	the 146,776,000 new Shares to be allotted and issued by the Company to Vendors A each at the Issue Price
"Considerations"	Consideration A and Consideration B
"Directors"	the directors of the Company
"EGM"	an extraordinary general meeting of the Company to be held at 2:00 p.m. on Thursday, 22 January 2026 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the PRC or any adjournment thereof for the purpose of considering and, if thought fit, approving the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, notice of which is set out on pages EGM-1 to EGM-4 of this circular
"Employee Shareholding Platform"	Xuzhou Diheng Semiconductor Technology Partnership* (徐州地恆半導體科技合夥企業(有限合夥)), a limited partnership established in the PRC for the employee share incentive scheme of the Shenzhen Jiahong Group established for providing certain employees of the Group with opportunities to indirectly invest in Shenzhen Jiahong
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	the independent board 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, which has been established for the purposes of making recommendations to the Independent Shareholders in respect of the fairness and reasonableness of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note
"Independent Financial Adviser"	Lego Corporate Finance Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note
"Independent Shareholders"	(a) in respect of Agreement A and the transactions contemplated thereunder, Shareholders, other than Ms. Qin, Ms. Qin Anqi, Vendors A and their respective associates, who have no material interest in Agreement A and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares; and (b) in respect of Agreement B and the transactions contemplated thereunder, Shareholders, other than Mr. Zhan, Vendor B and their respective associates, who have no material interest in the Agreement B and the transactions contemplated thereunder, including the issue of the Promissory Note
"Independent Third Party(ies)"	any party(ies), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, who are independent of the Company and its connected persons
"Issue Price"	HK$0.50, being the issue price per Consideration Share
"Latest Practicable Date"	6 January 2026, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it under the Listing Rules

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Zhan"	Mr. Zhan Haisu, being a substantial shareholder of the Company, holding approximately 17.24% of the total issued share capital of the Company as at the Latest Practicable Date and the sole ultimate beneficial owner of Vendor B
"Ms. Qin"	Ms. Qin Xiaolu, holding 6,485,500 Shares, representing approximately 0.69% of the total issued share capital of the Company as at the Latest Practicable Date, and the sole ultimate beneficial owner of each of the Vendors A
"Orchid Enterprises"	Orchid Enterprises Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Ms. Ren Tian
"PRC"	the People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Project Company"	Jiangsu Jiahong Semiconductor Co., Ltd* (江蘇鎵宏半導體有限公司) (formerly known as Xuzhou GSR Semiconductor Co., Ltd.* (徐州金沙江半導體有限公司)), a company incorporated in the PRC, which is a wholly-owned subsidiary of Shenzhen Jiahong
"Promissory Note"	the interest bearing promissory note in the amount of HK$40,816,000 to be issued by the Company to Vendor B
"Proposed Acquisitions"	the proposed acquisition of the Target Companies
"Recent Transaction"	the acquisition by Orchid Enterprises of ordinary share capital of nominal value at US$384,711.00 in Shenzhen Jiahong for US$3,209,063.51 (equivalent to US$8.3415 per US$1 of nominal share capital)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares A"	21,134,405 ordinary shares in Target Company A, representing 100% of its issued and paid up share capital, to be acquired by the Company from Vendors A under the Agreement A

"Sale Share B"	one ordinary share in Target Company B, representing 100% of its issued and paid up share capital, to be acquired by the Company from Vendor B under the Agreement B
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as may be amended from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Jiahong"	Shenzhen Jiahong Semiconductor Company Limited* (深圳鎵宏半導體有限公司), a company incorporated in the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company
"Shenzhen Jiahong Group"	Shenzhen Jiahong and its subsidiary, the Project Company
"Specific Mandate"	a specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Consideration Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning as ascribed thereto under the Listing Rules
"Swift Power"	Swift Power Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
"Target Companies"	Target Company A and Target Company B
"Target Company A"	Join Gain HK Limited, a company incorporated in Hong Kong with limited liability, which is owned as to approximately 99.979%, 0.016% and 0.005% by Vendor A1, Vendor A2 and Vendor A3 respectively
"Target Company B"	Red Mont HK Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Vendor B
"THJY Investment"	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)*), a limited partnership established in the PRC

"US$"	US dollar, the lawful currency of the United States
"Valuation"	the valuation of each ordinary share of Shenzhen Jiahong as at the Valuation Date
"Valuation Date"	30 September 2025
"Valuation Report"	the valuation report of Shenzhen Jiahong as at 30 September 2025 prepared by the Valuer, the text of which is set out in Appendix I to this circular
"Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer
"Vendor A1"	New Rainbow Developments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Qin
"Vendor A2"	Rosyfeild Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Qin
"Vendor A3"	Wise Spring Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Qin
"Vendor B"	Red Mont Global Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Zhan
"Vendors"	Vendors A and Vendor B
"Vendors A"	Vendor A1, Vendor A2 and Vendor A3
"%"	per cent.

For illustration purpose, amounts in US$ and RMB in this circular have been translated into HK$ at the rate of US$1 = HK$7.78 and RMB1 = HK$1.10 respectively. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in US$, RMB or HK$ have been, could have been or may be converted at such or any other rate or at all.

* *For illustration purposes only*

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
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P.O. Box 1350
Grand Cayman KY1–1108
Cayman Islands

Headquarter and principal place of business in Hong Kong:
Room 2607
26th Floor
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Shun Tak Centre
200 Connaught Road Central
Hong Kong

7 January 2026

To the Shareholders,

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 1 December 2025 in respect of the Agreements and the Proposed Acquisitions.

On 1 December 2025 (after trading hours), (i) the Company and Vendors A entered into the Agreement A, pursuant to which Vendors A have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares A, representing 100% of the entire issued share

capital of Target Company A which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong, for a total consideration of HK$73,388,000; and (ii) the Company and Vendor B entered into the Agreement B, pursuant to which Vendor B has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Share B, representing 100% of the entire issued share capital of Target Company B which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong, for a total consideration of HK$40,816,000.

Consideration A shall be satisfied by the Company by way of allotment and issue of a total of 146,776,000 Consideration Shares, credited as fully paid, to Vendors A and/or their respective nominee(s) and Consideration B shall be satisfied by the Company by way of issue of the Promissory Note to Vendor B.

Completion of each of the Agreements: (a) is not conditional on the other agreement being completed; and (b) is conditional upon, among others, the passing of the respective ordinary resolution(s) by the Independent Shareholders at the EGM approving each of them.

As at the Latest Practicable Date, Shenzhen Jiahong is owned by Swift Power (an indirect wholly-owned subsidiary of the Company), the Employee Shareholding Platform, Target Company A, Target Company B, THJY Investment and Orchid Enterprises as to approximately 60.30%, 19.49%, 8.34%, 4.64%, 5.10% and 2.13%, respectively. Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and Shenzhen Jiahong will be owned by the Group, the Employee Shareholding Platform, THJY Investment and Orchid Enterprises as to approximately 73.28%, 19.49%, 5.10% and 2.13%, respectively, and accordingly, will remain an indirect non wholly-owned subsidiary of the Company.

The purpose of this circular is to provide the Shareholders with information among others, (i) further details of the Agreements and the Proposed Acquisitions; (ii) a letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note; (iv) the Valuation Report; (v) other information as required under the Listing Rules; and (vi) a notice of the EGM.

THE PROPOSED ACQUISITIONS

THE AGREEMENT A

The principal terms of the Agreement A are as follows:

Date

1 December 2025

Parties

(1) New Rainbow Developments Limited (as Vendor A1);

(2) Rosyfeild Limited (as Vendor A2);

(3) Wise Spring Global Limited (as Vendor A3); and

(4) the Company (as purchaser).

Subject matter

Pursuant to the terms and conditions of the Agreement A, Vendors A have conditionally agreed to sell and the Company has conditionally agreed to purchase, as follows:

Vendors A	Number of Sale Shares A	Consideration
Vendor A1	21,130,005 Sale Shares A, representing 99.979% of the entire issued share capital of Target Company A	HK$73,372,721
Vendor A2	3,300 Sale Shares A, representing 0.016% of the entire issued share capital of Target Company A	HK$11,459
Vendor A3	1,100 Sale Shares A, representing 0.005% of the entire issued share capital of Target Company A	HK$3,820

Consideration

Consideration A is HK$73,388,000, which shall be satisfied by the Company by way of allotment and issue of an aggregate of 146,776,000 Consideration Shares, credited as fully paid, to Vendors A (and/or their respective nominee(s)) in the following manner:

(i) HK$73,372,721 payable to Vendor A1 shall be settled by allotting and issuing 146,745,442 Consideration Shares to Vendor A1 and/or its nominee(s);

(ii) HK$11,459 payable to Vendor A2 shall be settled by allotting and issuing 22,918 Consideration Shares to Vendor A2 and/or its nominee(s); and

(iii) HK$3,820 payable to Vendor A3 shall be settled by allotting and issuing 7,640 Consideration Shares to Vendor A3 and/or its nominee(s).

Consideration A was arrived at after arm's length negotiations between the Company and Vendors A and after taking into account (i) the value of approximately 8.34% equity interests in Shenzhen Jiahong, being the principal asset of Target Company A, of approximately US$9,729,000 (approximately HK$75,691,620) (the "**Valuation A**") according to the valuation of each ordinary share of Shenzhen Jiahong as at the Valuation Date conducted by the Valuer using market

approach, representing a discount of approximately 3.04% to Valuation A; and (ii) the reasons for and benefits of the Proposed Acquisitions as described under the paragraph headed "Reasons for and benefits of the Proposed Acquisitions" below.

Issue Price

The Consideration Shares will be issued at the Issue Price of HK$0.50 per Share which:

(i) equals the closing price of HK$0.50 per Share as quoted on the Stock Exchange as at the date of Agreement A;

(ii) represents a discount of approximately 0.79% to the average closing price of approximately HK$0.504 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of Agreement A;

(iii) represents a discount of approximately 0.99% to the average closing price of approximately HK$0.505 per Share as quoted on the Stock Exchange for the ten consecutive trading days of the Shares immediately prior to the date of Agreement A; and

(iv) represents a premium of approximately 4.17% over the closing price of HK$0.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations between the Company and Vendors A with reference to the recent trading prices of the Shares. The Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) consider that the Issue Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The total of 146,776,000 Consideration Shares represents (i) approximately 15.63% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.52% of the issued share capital of the Company as enlarged by the allotment of the Consideration Shares, assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the completion date of Agreement A. The aggregate nominal value of the Consideration Shares is HK$1,467,760.

The Consideration Shares shall rank *pari passu* in all respects among themselves and with the other Shares in issue on the date of their allotment and issue, save and except that the Consideration Shares will not be entitled to any rights, dividends, allotments and/or any other forms of distributions that may be declared, made or paid to the Shareholders with record dates falling before the date of allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares under the Specific Mandate.

Conditions

Completion of the Agreement A is subject to the following conditions:

(i) all necessary approvals (if applicable) required from all relevant government authorities, regulatory parties and/or third parties to be obtained on the part of Vendors A in respect of the Agreement A and the transactions contemplated thereunder having been obtained;

(ii) all necessary approvals (if applicable) required from all relevant government authorities, regulatory parties and/or third parties to be obtained on the part of the Company in respect of the Agreement A and the transactions contemplated thereunder having been obtained;

(iii) the passing by the Independent Shareholders, at the EGM to be convened and held, of such resolution(s) to approve the Agreement A and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares) having been obtained;

(iv) the Listing Committee granting the listing of, and permission to deal in, the Consideration Shares and remain in full force and effect;

(v) the results of the due diligence on Target Company A and the Sale Shares A being satisfied by the Company; and

(vi) the warranties provided by Vendors A remaining true and accurate and not misleading in all material respects from the signing of the Agreement A until the completion date of Agreement A.

The Company has the absolute discretion to waive the conditions precedent referred to in sub-paragraph (v) and (vi) above. Save as aforesaid, none of the other conditions precedent above is capable of being waived. To the best knowledge, understanding and belief of the Directors, no approvals contemplated under sub-paragraph (ii) above (other than those set out in sub-paragraphs (iii) and (iv) above) are required to be obtained. As at the Latest Practicable Date, other than the condition precedent referred to in sub-paragraph (ii) above, none of the above conditions precedent had been fulfilled or waived.

If the above conditions precedent are not fulfilled (or, as applicable, waived) on or before 30 June 2026 (or such other date as the parties may agree in writing), the Agreement A shall automatically terminate, and neither party shall have any obligation to proceed with the transactions contemplated hereunder, nor shall either party have any claim against the other (except for any breach occurring prior to such termination).

Completion

Subject to the fulfilment (or, as applicable, waiver) of the above conditions precedent, Completion A shall take place on the fifth Business Day after the above conditions precedent have been fulfilled (or, as applicable, waived) or such other date as agreed between the parties to the Agreement A. Upon Completion A, Target Company A will become an indirect wholly-owned subsidiary of the Company and the financial results of Target Company A will be consolidated in the financial statements of the Group.

THE AGREEMENT B

The principal terms of the Agreement B are as follows:

Date

1 December 2025

Parties

(i) Red Mont Global Limited (as Vendor B); and

(ii) the Company (as purchaser).

Subject matter

Pursuant to the terms and conditions of the Agreement B, Vendor B has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share B, representing 100% of the entire issued share capital of Target Company B.

Consideration

Consideration B, being HK$40,816,000, shall be satisfied by the Company issuing the Promissory Note to Vendor B upon Completion B.

Consideration B was arrived at after arm's length negotiations between the Company and Vendor B and after taking into account of (i) the value of approximately 4.64% equity interests in Shenzhen Jiahong, being the principal asset of Target Company B, of approximately US$5,411,000 (approximately HK$42,097,580) (the "**Valuation B**") according to the valuation of each ordinary share of Shenzhen Jiahong as at the Valuation Date conducted by the Valuer using market approach, representing a discount of approximately 3.04% to Valuation B; and (ii) the reasons for and benefits of the Proposed Acquisitions as described under the paragraph headed "Reasons for and benefits of the Proposed Acquisitions" below.

Promissory Note

The terms of the Promissory Note have been negotiated on arm's length basis, the principal terms of which are summarised below:

Parties:	The Company as issuer and the Vendor B as payee
Principal amount:	HK$40,816,000
Interest:	The Promissory Note will carry an interest of 2% per annum.
Maturity:	A fixed term of 18 months from the date of issue of the Promissory Note.
Early repayment:	Provided that the Company has given to the payee not less than 30 days' prior notice in writing of its intention to repay any part of the outstanding principal amount of the Promissory Note, the Company may at any time from the date of the issue of the Promissory Note up to the date immediately prior to the maturity date, repay the entire Promissory Note or part of it (in case of repayment in part, in amount of not less than HK$1 million) by payment to payee of the outstanding principal amount of the Promissory Note.
Assignment:	The Promissory Note may, subject to the payee giving not less than 60 days' prior written notice to the Company and subject to the written consent of the Company, be transferred or assigned by the Vendor B to any person. The Company will issue an announcement and inform the Stock Exchange if the Promissory Note is transferred or assigned to any connected person(s) of the Company.
Extension:	The Company has the right to extend the maturity date of the Promissory Note by giving not less than 30 days prior written notice to the payee.

Conditions

Completion of the Agreement B is subject to the following conditions:

(i) all necessary approvals (if applicable) required from all relevant government authorities, regulatory parties and/or third parties to be obtained on the part of Vendor B in respect of the Agreement B and the transactions contemplated thereunder having been obtained;

(ii) all necessary approvals (if applicable) required from all relevant government authorities, regulatory parties and/or third parties to be obtained on the part of the Company in respect of the Agreement B and the transactions contemplated thereunder having been obtained;

(iii) the passing by the Independent Shareholders, at the EGM to be convened and held, of such resolution(s) to approve the Agreement B and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Note) having been obtained;

(iv) the results of the due diligence on Target Company B and the Sale Share B being satisfied by the Company; and

(v) the warranties provided by Vendor B remaining true and accurate and not misleading in all material respects from the signing of the Agreement B until the completion date of Agreement B.

The Company has the absolute discretion to waive the conditions precedent referred to in sub-paragraph (iv) and/or (v) above. Save as aforesaid, none of the other conditions precedent above is capable of being waived. To the best knowledge, understanding and belief of the Directors, no approvals contemplated under sub-paragraph (ii) above (other than that set out in sub-paragraph (iii) above) are required to be obtained. As at the Latest Practicable Date, other than the condition precedent referred to in sub-paragraph (ii) above, none of the above conditions precedent had been fulfilled or waived.

If the above conditions precedent are not fulfilled (or, as applicable, waived) on or before 30 June 2026 (or such other date as the parties may agree in writing), the Agreement B shall automatically terminate, and neither party shall have any obligation to proceed with the transactions contemplated hereunder, nor shall either party have any claim against the other (except for any breach occurring prior to such termination).

Completion

Subject to the fulfilment (or, as applicable, waiver) of the above conditions precedent, Completion B shall take place on the fifth Business Day after the above conditions precedent having been fulfilled (or, as applicable, waived) or such other date as agreed between the parties to the Agreement B. Upon Completion B, Target Company B will become an indirect wholly-owned subsidiary of the Company and the financial results of Target Company B will be consolidated in the financial statements of the Group.

ASSESSMENT ON THE CONSIDERATIONS

The qualification and scope of work of the Valuer

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Valuer is a valuation firm with solid experience in conducting business valuation for major clients including listed companies and multinational corporations. The Valuation Report was prepared by Mr. Simon M.K. Chan, who is a fellow of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, a fellow of the Royal Institution of Chartered Surveyors (FRICS), an International Certified Valuation Specialist (ICVS)

and a Chartered Valuer and Appraiser (Singapore), and possesses over 20 years of experience in valuation projects in the PRC, Hong Kong, Singapore and the United States. The Valuer has confirmed to the Board that it is an independent third party which is in a position to provide an objective and unbiased valuation. The Directors have reviewed the terms of engagement of the Valuer and further noted that its scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer. After considering the Valuer's qualifications and experience and its scope of work, the Directors are of the view that the Valuer is properly qualified and has sufficient experience to carry out the Valuation.

Director's Assessment on Valuation Methodology

To the best of the knowledge, information and belief of the Directors, for the purpose of selecting the most appropriate valuation approach, the Valuer has considered the purpose of the Valuation, the basis of value, as well as the availability and reliability of information to perform an analysis. The relative advantages and disadvantages of each approach in the context of the nature and circumstances of the Shenzhen Jiahong Group have also been considered.

In arriving at the Valuation, the Valuer made reference to three generally accepted approaches, namely the market approach, cost approach and income approach. Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present in the assets, whether arising from physical, functional or economic causes. Income approach is the conversion of expected periodic benefits of ownership into an indication of value.

The Valuer considers, and the Directors concur, that given the unique characteristics of the Shenzhen Jiahong Group, there are substantial limitations for the income approach and the cost approach for the Valuation as (i) income approach was deemed inappropriate due to the high sensitivity of results to assumptions; (ii) the cost approach does not capture the economic earnings potential of the Shenzhen Jiahong Group's business. In view of the above, the Valuer adopted the market approach for the Valuation, which considers prices recently paid for similar assets and introduced objectivity in application as observable market evidence has been applied.

The Valuation relies on the market approach, which prioritizes observable, arm's-length transactions in the equity of the subject company. Such transactions are considered strong indicators of value when they involve independent parties, occur close to the Valuation Date, and reflect genuine market dynamics. Two recent capital transactions involving the share capital of Shenzhen Jiahong Group provide material market evidence:

Transaction 1 (initially on 28 September 2023 and subsequently amended on 1 January 2025): THJY Investment, an independent third-party investor, committed RMB100 million for newly issued ordinary shares with preferential redemption and liquidation rights. On 1 January 2025, the investment amount was amended to RMB55 million for a nominal value of US$919,961. Based on an Option Pricing Model (OPM) back-solve analysis as of 1 January 2025, the implied value of one ordinary share of Shenzhen Jiahong was determined to be US$4.60.

Transaction 2 (18 September 2025): Orchid Enterprises, another independent third-party investor, acquired ordinary shares in Shenzhen Jiahong with a nominal value of US$384,711 for a total consideration of US$3,209,063.51, implying a price of US$8.34 per ordinary share of Shenzhen Jiahong.

Given the relevance of both transactions — Transaction 1 for its scale and strategic context, and Transaction 2 for its timing — the concluded market value per ordinary share of Shenzhen Jiahong is based on the mid-point of the two implied values at US$6.47 per ordinary share of Shenzhen Jiahong as of the Valuation Date.

Directors' assessment on the valuation assumptions

The Directors have also reviewed the assumptions in the Valuation Report and consider that the assumptions are fair and reasonable and appropriate for the Valuation. The following key assumptions underpin the Valuer's determination of the market value of Shenzhen Jiahong:

- Transaction 1 and Transaction 2 were arm's-length and entered into between knowledgeable, independent third parties, as confirmed in discussions with the Company's management.

- Given the close proximity between Transaction 1 Amendment Date, Transaction 2 Date and the Valuation Date, there have been no material changes in the Target Group's business plan, strategic direction, capital structure, or financial outlook.

- The financial and operational information provided by the Company including management accounts and contractual agreements is accurate, and we have relied on this information to a significant extent in forming our opinion.

- The Shenzhen Jiahong Group complies with all applicable laws, statutes, ordinances, and regulations, and all required licenses and permits are valid and renewable upon expiry.

- No material adverse changes will occur in the prevailing political, legal, technological, fiscal, or economic environment that would negatively impact Shenzhen Jiahong's business.

- All operational and contractual terms set forth in relevant agreements will be duly honoured.

- The operating licenses and incorporation documents provided to the Valuer are valid, complete, and reliable.

- There are no hidden or undisclosed conditions affecting the valued assets that could materially impair their value.

Directors' Assessment on the Valuation in General

Having considered that (i) the Valuation was prepared by the Valuer in accordance with the applicable requirements and standard; (ii) the rationale of the Valuer in selecting market approach over cost approach and income approach as the appropriate valuation approach; (iii) the relevance of both transactions, particularly Transaction 1 for its scale and strategic context, and Transaction 2 for its timing; and (iv) the transaction was arm's-length, involved knowledgeable independent parties, and occurred close to the Valuation Date, the Directors are of the view that the methodology, inputs and assumptions used in the Valuation Report, and thus the Valuation are fair, reasonable and appropriate.

EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 938,818,481 Shares in issue. The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion A and the allotment and issue of the Consideration Shares, assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to (and including) the completion date of Agreement A:

Shareholder	**As at the Latest Practicable Date**		**Immediately upon Completion A and the allotment and issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Wide Yield Investment Holding Limited [(1)]	125,625,000	13.38	125,625,000	11.57
Vendors A [(2)]	—	—	146,776,000	13.52
Ms. Qin	6,485,500	0.69	6,485,500	0.60
Sub-total:	**132,110,500**	**14.07**	**278,886,500**	**25.69**
Jovial Star International Limited [(3)]	161,817,231	17.24	161,817,231	14.91
First Global Limited [(4)]	20,218,750	2.15	20,218,750	1.86
Other public Shareholders	624,672,000	66.54	624,672,000	57.54
Total	**938,818,481**	**100.0**	**1,085,594,481**	**100.0**

Notes:

1. Wide Yield Investment Holding Limited is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Ms. Qin Anqi, the daughter of Ms. Qin.

2. Each of Vendors A is 100% owned by Ms. Qin.

3. Jovial Star International Limited is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Zhan.

4. First Global Limited is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Zhao Yi Wen, being an executive Director.

INFORMATION ON THE VENDORS, THE TARGET COMPANIES AND THE SHENZHEN JIAHONG GROUP

Vendors A and Target Company A

Each of Vendors A is a company incorporated in British Virgin Islands with limited liability, which is wholly owned by Ms. Qin, and is principally engaged in investment holding. As at the Latest Practicable Date, Ms. Qin and her associates were interested in a total of 132,110,500 Shares, representing approximately 14.07% of the issued share capital of the Company.

Target Company A is a company incorporated in Hong Kong with limited liability on 20 March 2023 and is owned by Vendor A1, Vendor A2 and Vendor A3 as to 99.979%, 0.016% and 0.005% respectively. Target Company A was established by Vendors A as an investment holding company for their passive investment in the Shenzhen Jiahong Group. The cost of investment of Vendors A in Target Company A was US$2,697,000 (approximately HK$21,036,600). The major assets of Target Company A is its 8.34% equity interest in Shenzhen Jiahong.

Set out below is a summary of the unaudited financial information of Target Company A from its date of incorporation to 31 March 2024, the financial year ended 31 March 2025 and the eight months ended 30 November 2025:

	For the eight months ended 30 November 2025	**For the financial year ended 31 March 2025**	**From the date of incorporation to 31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
	Approximate (unaudited)	*Approximate (unaudited)*	*Approximate (unaudited)*
Revenue	—	—	—
Loss before taxation	(16)	(17)	(65)
Loss after taxation	(16)	(17)	(65)

As at 30 November 2025, the unaudited net assets of Target Company A was approximately HK$21.0 million.

Vendor B and Target Company B

Vendor B is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Zhan and is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Zhan and his associates were interested in a total of 161,817,231 Shares, representing approximately 17.24% of the issued share capital of the Company.

Target Company B is a company incorporated in Hong Kong with limited liability on 29 March 2023. Target Company B was established by Vendor B as an investment holding company for its passive investment in the Shenzhen Jiahong Group. The cost of investment of Vendors B in Target Company B was US$850,000 (approximately HK$6,630,000). The major assets of Target Company B is its 4.64% equity interest in Shenzhen Jiahong.

Set out below is a summary of the unaudited financial information of Target Company B from its date of incorporation to 31 March 2024, the financial year ended 31 March 2025 and the eight months ended 30 November 2025:

	For the eight months ended 30 November 2025	**For the financial year ended 31 March 2025**	**From the date of incorporation to 31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
	Approximate (unaudited)	*Approximate (unaudited)*	*Approximate (unaudited)*
Revenue	—	—	—
Loss before taxation	(16)	(13)	(95)
Loss after taxation	(16)	(13)	(95)

As at 30 November 2025, the unaudited net assets of Target Company B was approximately HK$6.6 million.

Shenzhen Jiahong Group

Shenzhen Jiahong is a company incorporated in the PRC with limited liability and its major asset is the entire equity interest in the Project Company. The Project Company is a company incorporated in the PRC with limited liability and is principally engaged in research and development and manufacture of gallium nitride ("**GaN**") power chips and GaN radio frequency epitaxial wafers with specialized foundry production capability and research and development capabilities.

The Group commenced its GaN business in 2021 through the establishment of the Project Company by Swift Power 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**").

Since then, the Xuzhou Factory has completed procurement of core fabrication equipment for the production of GaN epitaxial wafers and GaN devices (including metal-organic chemical vapor deposition ("**MOCVD**") equipment, automated lithography, electron-beam lithography, dry etch, ion implantation, plasma-enhanced chemical vapor deposition ("**PECVD**") equipment, particle inspection, etc.). In 2024, the Xuzhou Factory completed key process milestones by successfully commissioning the production line for GaN epitaxial wafer in mid-2024 and the production line for GaN chips device in late 2024.

With its advanced technological capabilities, the Xuzhou Factory is able to function as an Integrated Device Manufacturer ("**IDM**") and maintain complete control over the entire chip-making process, from the production of semiconductor materials to the manufacturing of chips and devices, as well as module packaging and testing.

During 2025, one of the two production lines of the Xuzhou Factory has successfully passed production testing and has become a recognized supplier of GaN epitaxial wafer. It has then commenced mass production and bulk shipments for 6-inch GaN epitaxial wafer. In order to increase the production capacity of the Xuzhou Factory, the Group has further procured MOCVD equipment which has been delivered to the Xuzhou Factory in December 2025. After the procurement of the two MOCVDs, together with the further investment in epitaxial equipment planned, the total epitaxial wafer production capacity of the Xuzhou Factory are expected to reach 3,000 wafers in 8 inch per month in 2026.

Set out below is a summary of the financial information in the unaudited consolidated accounts of the Shenzhen Jiahong Group for the two financial years ended 31 December 2024 and for the nine months ended 30 September 2025:

	For the nine months ended 30 September	**For the financial year ended 31 December**	
	2025	**2024**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	Approximate (unaudited)	*Approximate (unaudited)*	*Approximate (unaudited)*
Revenue	17,855	1,360	2,634
Loss before taxation	(44,318)	(36,065)	(42,534)
Loss after taxation	(44,318)	(36,065)	(42,534)

As at 30 September 2025, the unaudited consolidated net assets of the Shenzhen Jiahong Group was approximately RMB162.84 million (approximately HK$179.12 million).

Since incorporation of the Project Company, the Group has been seeking strategic partners to invest in the Shenzhen Jiahong Group upholding the principle of achieving synergy in the use of resources and win-win cooperation, with the financial resources being applied for the development of the GaN business and at the same time maintaining the Group's control in the Shenzhen Jiahong Group. As at the Latest Practicable Date, Shenzhen Jiahong was owned by Swift Power (an indirect

wholly-owned subsidiary of the Group), the Employee Shareholding Platform, Target Company A, Target Company B, THJY Investment and Orchid Enterprises as to approximately 60.30%, 19.49%, 8.34%, 4.64%, 5.10% and 2.13%, respectively.

Upon Completion, the Target Companies will become wholly owned subsidiaries of the Company and Shenzhen Jiahong will be owned by the Group, the Employee Shareholding Platform, THJY Investment and Orchid Enterprises as to approximately 73.28%, 19.49%, 5.10% and 2.13%, respectively, and accordingly, will remain an indirect non wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS

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, devices and power modules in the PRC.

The Group commenced its GaN business and set up the Xuzhou Factory in 2021. Over the past years of development, the Xuzhou Factory has achieved strategic breakthroughs in the development and manufacturing of GaN epitaxial wafers and device products. Xuzhou Factory commenced mass production of GaN epitaxial wafers in 2025 and Shenzhen Jiahong Group recorded revenue of approximately RMB17.9 million for the nine months ended 30 September 2025 demonstrating an upward trend of revenue growth as compared to that of approximately RMB1.36 million recorded for the year ended 31 December 2024.

As disclosed in the interim report of the Company for the six months ended 30 June 2025, the Group has continued to propel its overall business development and accelerate the realisation of chip manufacturing and production capacity, with the aim to become a semiconductor IDM enterprise that spans the whole industry chain, including design, research and development, manufacturing, packaging and package testing, and sales, with a particular focus on semiconductor design and manufacturing, to capture market opportunities and to strive to become a leading third generation semiconductor supplier in the Greater China region.

According to the prediction of the market analysis firm Yole Développment, with the increasing demand for green energy generation, electric vehicles, charging piles and energy storage, the GaN power device market is expected to grow from US$400 million in 2024 to US$3 billion in 2030, with a compound annual growth rate of 42%.

With the rapid growth of electronic and AI-driven applications brought about by the industrial revolution, the demands for more efficient and economical electric power supply equipment are on the rise. Traditional silicon semiconductor devices cannot meet the demand of these applications due to their inherent constraints. On the other hand, semiconductor devices based on GaN, the emerging latest generation semiconductor material, have been broadly applied across various industries in recent years and are expected to play a critical role in the ongoing revolution of the power semiconductor industry. Compared with silicon and other semiconductor materials, GaN possesses features with significant advantages including high frequency, high electron mobility, strong radiation resistance, low on-resistance and no reverse recovery loss. GaN power semiconductor chips can effectively reduce energy losses, enhance energy conversion efficiency, lower the system cost and achieve smaller device sizes which leads to huge growth potential for the GaN power chips in the fields of (i) data center, (ii) electric vehicles, (iii) humanoid and (iv) energy storage. In addition, securing independent control of the chip sector has been elevated by

the PRC Government to the level of national key strategy so that the PRC can accelerate the pace of replacing imported components with domestic substitute products and independent innovation, providing strong, long-term support for the semiconductor segment.

In view of the above factors, the Company considers it appropriate and is the right timing to acquire the minority interests in Shenzhen Jiahong in order to capture the growth potential and future prospect of the Shenzhen Jiahong Group and 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) consider that the terms and conditions of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, are on normal commercial terms and are fair and reasonable and that the Proposed Acquisitions involving the allotment and issue of the Consideration Shares and the issue of the Promissory Note are in the interests of the Company and Shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
31 December 2024	Rights issue on the basis of one (1) rights share for every four (4) shares	Approximately HK$87.8 million	(a) as to approximately HK$52.7 million for strengthening research and development capabilities of LED, Mini LED, GaN devices and related semiconductor products; and (b) as to approximately HK$35.1 million for provision of general working capital and strengthening the financial position of the Group.	(a) Approximately HK$52.7 million was utilized for the intended use; and (b) Approximately HK$35.1 million was utilized for the intended use.

Save as disclosed above, there has not been any equity fund raising activity conducted by the Company in the past twelve months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ms. Qin Anqi, the daughter of Ms. Qin, was a substantial shareholder of the Company and was indirectly interested in 125,625,000 Shares, representing approximately 13.38% of the total issued share capital of the Company as at the Latest Practicable Date, and Ms. Qin was interested in 6,485,500 Shares, representing approximately 0.69% of the total issued share capital of the Company as at the Latest Practicable Date and wholly owned

Vendors A, which in turn in aggregate owned 100% of Target Company A. Accordingly, each of Vendors A is an associate of Ms. Qin Anqi, and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Zhan was a substantial shareholder of the Company and was indirectly interested in 161,817,231 Shares, representing approximately 17.24% of the total issued share capital of the Company as at the Latest Practicable Date and wholly owned Vendor B, which in turn owned 100% of Target Company B. Accordingly, Vendor B is an associate of Mr. Zhan and therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis as they involve the acquisition of an interest in one particular company pursuant to Rule 14.23 of the Listing Rules) calculated pursuant to the Listing Rules is more than 5% but all these applicable percentage ratios are below 25%, the entering into of the Agreements and the Proposed Acquisitions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen, who do not have a material interest in the Proposed Acquisitions, to consider and to advise the Independent Shareholders whether the terms of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, at the EGM, after taking into account the advice of the Independent Financial Adviser.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Director has any material interest in the Proposed Acquisitions contemplated under the Agreements and was required to abstain from voting on the relevant Board meeting.

EGM AND PROXY ARRANGEMENT

The EGM will be held for the purpose of considering and, if thought fit, approving approving, among others, the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

A notice convening the EGM to be held at 2:00 p.m. on Thursday, 22 January 2026 at Unit B, 14/F., Microsoft Science and Technology Building, No. 55 Gaoxin South 9th Road, Gaoxin Community, Yuehai Street, Nanshan District, Shenzhen, the PRC is set out on pages EGM-1 to EGM-4 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 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

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as and except for (a) Ms. Qin, Ms. Qin Anqi, Vendors A and their respective associates (in respect of Agreement A and the transactions contemplated thereunder) and (b) Mr. Zhan, Vendor B and their respective associates (in respect of Agreement B and the transactions contemplated thereunder), no other Shareholder has a material interest in the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note such that he or she shall abstain from voting at the EGM on the relevant resolutions to approve each of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note. As at the Latest Practicable Date, each of Ms. Qin, Ms. Qin Anqi and Mr. Zhan controlled or was entitled to exercise control over 6,485,500 Shares (representing approximately 0.69% of the total number of Shares in issue), 125,625,000 Shares (representing approximately 13.38% of the total number of Shares in issue) through Wide Yield Investment Holding Limited and 161,817,231 Shares (representing approximately 17.24% of the total number of Shares in issue) through Jovial Star International Limited, respectively. Save as aforesaid, none of Ms. Qin, Ms. Qin Anqi, Vendors A, Mr. Zhan, Vendor B and their respective associates controlled or was entitled to exercise control over any Shares as at the Latest Practicable Date.

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, 22 January 2026. 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 Wednesday, 21 January 2026. Shareholders whose names appear on the register of members of the Company on Wednesday, 21 January 2026 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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note are 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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains its recommendation to the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note; and (ii) the letter of advice from the Independent Financial Adviser set out on pages 28 to 52 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

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)

DISCLOSEABLE AND CONNECTED TRANSACTION

7 January 2026

To the Independent Shareholders

Dear Sir or Madam,

We refer to the circular of the Company to the Shareholders dated 7 January 2026 ("**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 members of the Independent Board Committee to advise you whether the terms of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Having taken into account the advice of the Independent Financial Adviser, we are of the opinion that the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, are on normal commercial terms, fair and reasonable. Although the entering into of the Agreements was not made in the ordinary and usual course of business of the Group, it is 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 be proposed at the EGM to approve the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

We wish to draw your attention to (i) the Letter from the Board as set out on pages 7 to 25 of the Circular; (ii) the Letter from the Independent Financial Adviser as set on pages 28 to 52 of the Circular; and (iii) the additional information as set out in the appendices to the Circular.

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

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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

7 January 2026

To the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, 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 7 January 2026 (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, on 1 December 2025 (after trading hours), (i) the Company and Vendors A entered into the Agreement A, pursuant to which Vendors A have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares A, representing 100% of the entire issued share capital of Target Company A which in turn holds approximately 8.34% equity interest in Shenzhen Jiahong, for a total consideration of HK$73,388,000; and (ii) the Company and Vendor B entered into the Agreement B, pursuant to which Vendor B has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Share B, representing 100% of the entire issued share capital of Target Company B which in turn holds approximately 4.64% equity interest in Shenzhen Jiahong, for a total consideration of HK$40,816,000. Consideration A shall be satisfied by the Company by way of the allotment and issue of a total of 146,776,000 Consideration Shares, credited as fully paid, to Vendors A and/or their respective nominee(s), and Consideration B shall be satisfied by the Company by way of the issue of the Promissory Note to Vendor B.

Completion of each of the Agreements (i) is not conditional on the other agreement being completed; and (ii) is conditional upon, among others, the passing of the respective ordinary resolution(s) by the Independent Shareholders at the EGM approving each of them.

As at the Latest Practicable Date, (i) Ms. Qin Anqi, the daughter of Ms. Qin, was a substantial shareholder of the Company and was indirectly interested in 125,625,000 Shares, representing approximately 13.38% of the total issued share capital of the Company, and Ms. Qin was interested in 6,485,500 Shares, representing approximately 0.69% of the total issued share capital of the Company and wholly owned Vendors A, which in turn in aggregate owned 100% of Target Company A; and (ii) Mr. Zhan was a substantial shareholder of the Company and was indirectly interested in 161,817,231 Shares, representing approximately 17.24% of the total issued share capital of the Company and wholly owned Vendor B, which in turn owned 100% of Target Company B. Accordingly, (i) each of Vendors A is an associate of Ms. Qin Anqi; and (ii) Vendor B is an associate of Mr. Zhan, and therefore is each a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Acquisitions (on an aggregated basis) calculated pursuant to the Listing Rules is more than 5% but all these applicable percentage ratios are below 25%, the entering into of the Agreements and the Proposed Acquisitions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and a connection transaction for the Company subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

The Independent Board Committee, comprising all three independent non-executive Directors, namely Mr. Zou Haiyan, Mr. Siu Miu Man, Simon, MH and Ms. Liu Wanwen, who do not have a material interest in the Proposed Acquisitions, has been established to consider and to advise the Independent Shareholders whether the terms of the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note. We have been appointed as the Independent Financial Adviser 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 (i) the adjustments to number of awarded shares granted under the share award scheme of the Company; and (ii) the proposed refreshment of scheme mandate limit and service provider sublimit, details of each of which are set out in the circular of the Company dated 15 July 2025. Apart from any normal professional fees paid or payable to us in connection with the aforesaid appointments 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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

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.

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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note. 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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note, we have taken into account the principal factors and reasons set out below:

1. INFORMATION ON THE PARTIES THERETO

1.1. Information of the Group

The principal activities of the Group are mainly engaged in the design, development, manufacturing, subcontracting service and sales of semiconductor products, including light-emitting diode ("**LED**") beads, GaN chips, devices and power modules in the PRC.

The following table summarises certain financial information of the Group for (i) the two years ended 31 December 2023 ("**FY2023**") and 31 December 2024 ("**FY2024**") as extracted from the annual report of the Company for the year ended 31 December 2024 ("**2024 Annual Report**"); and the six months ended 30 June 2024 ("**6M2024**") and 30 June 2025 ("**6M2025**") as extracted from the interim report of the Company for the six months ended 30 June 2025 ("**2025 Interim Report**").

	For the year ended 31 December		**For the six months ended 30 June**	
	2024	**2023**	**2025**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	**75,282**	**88,600**	**33,061**	**34,252**
— LED products	73,922	85,646	24,930	33,220
— GaN and other semiconductor	1,360	2,954	8,131	1,032
Loss for the year/period attributable to owners of the Company	**(156,819)**	**(150,723)**	**(59,293)**	**(54,246)**

	As at 30 June 2025	**As at 31 December 2024**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Non-current assets	301,140	377,950
Current assets	280,197	251,664
Current liabilities	(43,336)	(48,207)
Non-current liabilities	(5,074)	(3,618)
Net current assets	236,861	203,457
Net assets attributable to owners of the Company	**502,686**	**540,837**

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 one-off increase in provision on expected credit losses on trade and bills receivables and other receivable mainly as a result of the provision made in relation the investment to Shenzhen Jiahong, an indirect non-wholly owned subsidiary of the Company, details of which are set out in the announcement of the Company dated 2 January 2025; (ii) increase in administrative and other expenses due to the increase in equity-settled share-based payment expenses in relation to the employee share incentive scheme; and (iii) the impairment loss of assets classified as held for sale, intangible assets and property, plant and equipment recognised for FY2024 whereas no such recognition has been made for FY2023, partially offset by the nil recognition of loss arising on financial liabilities extinguished for FY2024 against the recognition made for FY2023.

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.

6M2025 compared to 6M2024

The Group's revenue slightly decreased by approximately 3.5% from approximately RMB34.3 million for 6M2024 to approximately RMB33.1 million for 6M2025. According to the 2025 Interim Report, such period-over-period decrease was mainly due to a period-over-period decrease in the revenue from LED products in 6M2025, which was partially offset by the substantial period-over-period increase in the revenue from GaN and other semiconductor segment in 6M2025.

The Group's loss attributable to the owners of the Company enlarged by approximately 9.4% from approximately RMB54.2 million for 6M2024 to approximately RMB59.3 million for 6M2025. According to the 2025 Interim Report, such deteriorating performance was primarily attributable to (i) the decrease in revenue as abovementioned; (ii) the decrease in other income and gains of approximately RMB6.4 million as a result of the decrease in government grants from the PRC Government; and (iii) the increase in administrative and other expenses of approximately RMB2.7 million for 6M2025 as compared to that of 6M2024 as a result of the increase in research and development cost.

As at 30 June 2025, net current assets and net assets attributable to owners of the Company amounted to approximately RMB236.9 million and approximately RMB502.7 million, respectively.

1.2. Information of Vendors A and Target Company A

According to the Letter from the Board, each of Vendors A is a company incorporated in British Virgin Islands with limited liability, which is wholly owned by Ms. Qin, and is principally engaged in investment holding. As at the Latest Practicable Date, Ms. Qin and her associates were interested in a total of 132,110,500 Shares, representing approximately 14.07% of the issued share capital of the Company.

Target Company A is a company incorporated in Hong Kong with limited liability, which was incorporated on 20 March 2023 and is owned by Vendor A1, Vendor A2 and Vendor A3 as to 99.979%, 0.016% and 0.005% respectively. Target Company A was established by Vendors A as an investment holding company for their passive investment in the Shenzhen Jiahong Group. The major asset of Target Company A is its 8.34% equity interest in Shenzhen Jiahong.

Set out below is a summary of the unaudited financial information of Target Company A from its date of incorporation to 31 March 2024, the financial year ended 31 March 2025 and the eight months ended 30 November 2025:

	For the eight months ended 30 November 2025	**For the financial year ended 31 March 2025**	**From the date of incorporation to 31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Revenue	—	—	—
Loss before taxation	(16)	(17)	(65)
Loss after taxation	(16)	(17)	(65)

As at 30 November 2025, the unaudited net assets of Target Company A was approximately HK$21.0 million.

1.3. Information of Vendor B and Target Company B

According to the Letter from the Board, Vendor B is a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Zhan and is principally engaged in investment holding. As at the Latest Practicable Date, Mr. Zhan and his associates were interested in a total of 161,817,231 Shares, representing approximately 17.24% of the issued share capital of the Company.

Target Company B is a company incorporated in Hong Kong with limited liability on 29 March 2023. The Target Company B was established by the Vendor B as an investment holding company for its passive investment in the Shenzhen Jiahong Group. The major asset of Target Company B is its 4.64% equity interest in the Shenzhen Jiahong.

Set out below is a summary of the unaudited financial information of Target Company B from its date of incorporation to 31 March 2024, the financial year ended 31 March 2025 and the eight months ended 30 November 2025:

	For the eight months ended 30 November 2025	**For the financial year ended 31 March 2025**	**From the date of incorporation to 31 March 2024**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Revenue	—	—	—
Loss before taxation	(16)	(13)	(95)
Loss after taxation	(16)	(13)	(95)

As at 30 November 2025, the unaudited net assets of Target Company B was approximately HK$6.6 million.

1.4. Information of the Shenzhen Jiahong Group

According to the Letter from the Board, Shenzhen Jiahong is a company established in the PRC with limited liability and its major asset is the entire equity interest in the Project Company. The Project Company is a company established in the PRC with limited liability and is principally engaged in research and development and manufacture of GaN power chips and GaN radio frequency chips with specialised foundry production capability and research and development capabilities.

The Group commenced its GaN business in 2021 through the establishment of the Project Company by Swift Power and set up the Xuzhou Factory. Since then, the Xuzhou Factory has completed procurement of core fabrication equipment for the production of GaN epitaxial wafers and GaN devices (including MOCVD equipment, automated lithography, electron-beam lithography, dry etch, ion implantation, PECVD equipment, particle inspection, etc. In 2024, the Xuzhou Factory completed key process milestones by successfully commissioning the production line for GaN epitaxial wafer in mid-2024 and the production line for GaN chips device in late 2024.

Among others, the Xuzhou Factory is able to function as an IDM and maintain complete control over the entire chip-making process, from the production of semiconductor materials to the manufacturing of chips and devices, as well as module packaging and testing.

During 2025, one of the two production lines of the Xuzhou Factory has successfully passed production testing and become a recognised supplier of GaN epitaxial wafer. It has then commenced mass production and bulk shipments for 6-inch GaN epitaxial wafer. MOCVD has been further procured which has been delivered to the Xuzhou Factory in December 2025. After the procurement of the two MOCVDs, together with the further investment in epitaxial equipment planned, the total epitaxial wafer production capacity of the Xuzhou Factory is expected to reach 3,000 wafers in 8 inch per month in 2026.

Set out below is a summary of the financial information in the unaudited consolidated accounts of the Shenzhen Jiahong Group for the two financial years ended 31 December 2024 and for the nine months ended 30 September 2025:

	For the nine months ended 30 September 2025	**For the financial year ended 31 December**	
		2024	**2023**
	RMB'000 (unaudited)	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Revenue	17,855	1,360	2,634
Loss before taxation	(44,318)	(36,065)	(42,534)
Loss after taxation	(44,318)	(36,065)	(42,534)

Shenzhen Jiahong Group recorded revenue of approximately RMB17.9 million for the nine months ended 30 September 2025, demonstrating an upward trend of revenue growth as compared to that of approximately RMB1.36 million recorded for the year ended 31 December 2024, which was mainly attributable to the commencement of production and sales of epitaxial and devices in 2025. The significant loss of approximately RMB44.3 million recorded for the nine months ended 30 September 2025 was mainly due to the increment of research and development expenses incurred.

As at 30 September 2025, the unaudited consolidated net assets of the Shenzhen Jiahong Group was approximately RMB162.84 million (equivalent to approximately HK$179.12 million).

2. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS

The Group commenced its GaN business in 2021 through the establishment of the Project Company by Swift Power and set up the Xuzhou Factory. According to the 2024 Annual Report, the Group's GaN and other semiconductor products segment contributed a relatively modest portion of approximately 1.8% to its total revenue for FY2024, primarily due to the fact that such segment was in the stage of research and development and market launch. With reference to the 2025 Interim Report, the Group continued to fully deploy the third-generation semiconductor industry chain during the first half of 2025, and the segmental revenue reached approximately RMB8.1

million, accounting for an increased portion of approximately 24.6% of the total revenue of the Group for 6M2025. On an annualised basis, such segmental revenue implies a hypothetical revenue of approximately RMB16.2 million for the year ending 31 December 2025, representing a substantial year-on-year increase of approximately 1,057.1% as compared to that for FY2024. It is emphasised that with the aim to become a semiconductor integrated device manufacturer enterprise that spans the whole industry chain, the Group will continue to make increased efforts to develop the third-generation semiconductor GaN industry chain in order to accelerate the pace of research and development and expand the applications of GaN-related products.

In assessing the reasonableness of the Proposed Acquisitions, we have evaluated the potential of the GaN semiconductor market in the PRC. Based on our independent research conducted from the public domain, the GaN semiconductor market is experiencing rapid growth, driven by the material's superior properties over traditional silicon, and the increasing demand from the downstream industry, such as electric vehicle, fast-charging consumer electronics and telecommunication. According to the report published by Global Market Insights Inc. *(https://www.gminsights.com*) an international market research firm, in February 2025, the China market size of GaN device is expected to increase at a compound annual growth rate of approximately 5.7% from 2024 to 2034. Furthermore, according to the"Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development*" (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》) adopted by the 20th Central Committee of the Communist Party of China in October 2025, the strategy of modernisation in science and technology shall be promoted to achieve industrial transformation and boost China's strength in manufacturing, aerospace, transportation, and cyberspace. Such favourable government policies in supporting the technology industry in the PRC would benefit the overall semiconductor industry and potentially help drive a steady growth for the Group's business. Overall, underpinned by the potentially strong industry demand and supporting policy initiatives, the GaN semiconductor market is expected to have a generally positive prospect in the future.

On the other hand, according to the 2024 Annual Report and as set out in the sub-section headed "1.4 Information of the Shenzhen Jiahong Group" of this letter, the Shenzhen Jiahong Group has made significant progress in developing its GaN semiconductor business through the establishment of the Xuzhou Factory, a factory comprises 7,000 square meters of ultra-clean chambers and 850 square meters of office space designed to support advanced semiconductor fabrication. Since its inception, the Xuzhou Factory has procured a full suite of core fabrication equipment, laying the foundation for integrated GaN wafer and device production. In 2024, the Xuzhou Factory achieved critical process milestones by commissioning the GaN epitaxial wafer line in mid-year and its GaN chip device line later that year, achieving full integrated device manufacturer capability across materials, chip manufacturing, packaging and testing. By 2025, one of the two production lines passed testing, and the Xuzhou Factory was recognised as a qualified supplier of GaN expitaxial wafers. The Xuzhou Factory subsequently commenced mass production and bulk ships of 6-inch GaN epitaxial wafers, marking its transition from development to

commercialisation. To further enhance the production capacity, additional MOCVD equipment has been procured and delivered in December 2025, which is expected to raise the factory's epitaxial wafer production capacity from 2026 onwards.

Having considered (i) the Group's recent and notable growth in its GaN business, together with its clear strategic initiatives to accelerate the development of a fully integrated third-generation semiconductor industry chain; (ii) the generally positive outlook of the GaN semiconductor market; (iii) the significant progress achieved by the Shenzhen Jiahong Group in its GaN operations, particularly the commencement of mass production and the expected enhancement in production capacity; (iv) the fact that settlement of the Considerations by way of issue of the Consideration Shares and the Promissory Note would enable the Group to avoid immediate cash outlay, thereby preserving financial flexibility to support ongoing operations and pursue other business opportunities, we are of the view that the Proposed Acquisitions and the transactions contemplated thereunder, which will potentially allow the Group to strengthen its majority ownership and strategic influence in the Shenzhen Jiahong Group, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. PRINCIPAL TERMS OF THE AGREEMENTS

3.1. The Agreement A

On 1 December 2025, the Company entered into the Agreement A with Vendors A, pursuant to which the Company has conditionally agreed to purchase, and Vendors A have conditionally agreed to sell, the Sale Shares A, representing 100% of the entire issued share capital of Target Company A, at the Consideration A of HK$73,388,000. Consideration A shall be satisfied by the Company by way of allotment and issue of an aggregate of 146,776,000 Consideration Shares at the Issue Price of HK$0.50 per Share. For further details of the principal terms of the Agreement A, please refer to the sub-section headed "THE AGREEMENT A" of the Letter from the Board.

3.1.1 Assessment of the Consideration A

As disclosed in the Letter from the Board, the Consideration A was arrived at after arm's length negotiations between the Company and Vendors A and after taking into account, among others, the value of approximately 8.34% equity interests in Shenzhen Jiahong with reference to the preliminary valuation thereof as at the Valuation Date conducted by the Valuer.

In assessing the fairness and reasonableness of the determination of the Consideration A, we have primarily taken into account the appraised value of each ordinary share of the Shenzhen Jiahong as at the Valuation Date. Details of the Valuation and the Valuation Report are set out in Appendix I to the Circular.

For our due diligence purpose, we have reviewed the Valuation Report and conducted interviews with the relevant staff members of the Valuer involved in preparing the Valuation Report as to their expertise, independence and the principal bases and assumptions adopted therein. In particular, we have reviewed (i) the terms of engagement with the Company; (ii) the qualification and experience of the Valuer in relation to the Valuation; and (iii) the steps and due diligence measures taken by the Valuer in performing the Valuation. Based on the information provided by the Valuer and our independent research conducted from the public domain, the Valuer is a professional service firm with over 300 offices worldwide which provides, among others, valuation, advisory, financing, leasing and end-to-end property management services and possesses experience in valuing market value of equity interests in private enterprises relating to notifiable transactions of other listed companies in Hong Kong. Further, we understand that Mr. Simon M.K. Chan, the responsible officer of the Valuer for the Valuation, is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia, a fellow of the Royal Institution of Chartered Surveyors (FRICS), an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore), and possesses 20 years of experience in valuation projects in the PRC, Hong Kong, Singapore and the United States.

From our review of the engagement letter between the Company and the Valuer regarding the Valuation, we are satisfied that the terms of engagement between the Company and the Valuer are appropriate, and we are not aware of any limitations on the scope of work which might adversely affect the degree of assurance given by the Valuer. The Valuer has confirmed that they are independent and are not aware of any relationships or interests between the Valuer and the Group, each of Vendors A, Vendor B, Shenzhen Jiahong Group or any other parties that could reasonably be regarded as relevant to its independence to act as the independent valuer of the Company.

During our review, we noted that the Valuation was conducted based on key assumptions that, among others, no material adverse changes will occur in the prevailing political, legal, technological, fiscal or economic environment that would negatively impact the business of the Shenzhen Jiahong Group. In addition, the Valuer has assumed that all operating licenses and incorporation documents of Shenzhen Jiahong Group provided are valid, complete and reliable. As advised by the Valuer, the abovementioned assumptions are in line with the market practice.

Based on the Valuation Report, among the three generally accepted valuation approaches, namely, the market approach, the cost approach and the income approach, the Valuation has adopted the market approach taking into account of the availability of observable and arm's length transactions in the equity interests of Shenzhen Jiahong, as well as the simplicity, clarity, speed and the need for few assumptions of this approach. As advised by the Valuer, the income approach was deemed inappropriate due to the high sensitivity of results to assumptions and the lack of a sufficient historical financial track record for the Shenzhen Jiahong Group to support objective long-term financial

projections as of the Valuation Date. In addition, the cost approach was also unsuitable because it does not capture the economic earnings potential of the Shenzhen Jiahong Group's business. Based on our independent research, it is a common practice to adopt market approach for valuing equity interests of private companies.

In obtaining the appraised value of each ordinary share of Shenzhen Jiahong, the Valuer has adopted market approach by making reference to Transaction 1 and Transaction 2, details of which are set out in Appendix I to the Circular. As confirmed by the Valuer, the adopted Transaction 1 and Transaction 2 represented an exhaustive list of identified transactions involving transfer of shares of Shenzhen Jiahong during the period from 1 January 2025 up to and including the Valuation Date, which in our view represents a reasonably fair assessment period to reflect the prevailing market conditions. Considering that the subject sale shares of Shenzhen Jiahong under the Transaction 1 carry preferential redemption and liquidation rights, which differ in economic substance from standard ordinary shares under the Acquisitions, back-solve analysis using the option pricing model was adopted by the Valuer to obtain the implied consideration per ordinary share of Shenzhen Jiahong under Transaction 1 which, as confirmed by the Valuer, is a commonly adopted approach for valuing companies with multiple share classes carrying different preferences on the basis that each share class is treated as a call option on the total equity value of the company. We have, in this regard, made references to the publicly available financial reports of the listed companies in Hong Kong, from which we noticed that option pricing model is commonly adopted for valuating their derivatives including options.

Specifically, in adopting the option pricing model, we understand from the Valuer that they have first compiled a model whereby the equity value of Shenzhen Jiahong as at 1 January 2025 (the "**Transaction 1 Amendment Date**") is allocated across its two classes of shares, being the preferential shares and the ordinary shares, using the option pricing model under the scenarios of liquidation and non-liquidation. In the non-liquidation scenario, total equity value of Shenzhen Jiahong is distributed on an as-if-fully-converted basis to each class of shares. In the liquidation scenario, the value of each equity class is derived by adopting the Black-Scholes option pricing model.

For our due diligence purpose, we have enquired with the Valuer about the key parameters adopted in the option pricing model, including but not limited to (i) the life to expiration of 7.49 years, which represented the expected time to exit from Transaction 1 Amendment Date to 30 June 2032, being the expiry date of the preferential redemption and liquidation rights under the subject preference shares; (ii) the risk free interest rate based on the yield of United States Treasury Active Curve with a maturity of 7.49 years; (iii) the strike prices of the options, which were determined based on the liquidation preference amount of the subject preferences shares, representing the amount payable to holders of the preference shares prior to distribution to holders of ordinary shares in the event of any voluntary or involuntary liquidation, dissolution, or winding-up of Shenzhen Jiahong and that a qualified exit event had not occurred by 30 June 2032, which was in

turn arrived at based on the actual investment commitment paid as at the Transaction 1 Amendment Date, the life to expiration of 7.49 years and the interest rate of 6% per annum as stipulated in the underlying shareholder agreement; (iv) the assigned probabilities for the liquidation scenario referencing to "Default Trends — Global: Corporate default rate to moderate in 2024 but remain near its long-term average" issued by Moody's Investor Service on 26 February 2024, being the latest available reports as at the Transaction 1 Amendment Date and (v) the expected volatility of approximately 39.8% based on the median of historical volatilities of the listed comparable companies quoted from Bloomberg. In conducting our assessment, we have further reviewed the underlying bases, procedures and sources of information adopted by the Valuer in arriving at the above parameters, and nothing has come to our attention that would cause us to cast doubt on the fairness and reasonableness thereof. Specifically, we have obtained and reviewed the underlying shareholder agreements dated 28 September 2023 and subsequently amended on 1 January 2025 for Transaction 1 and noted that the adopted parameters of the life to expiration and the strike prices are in line with those in the aforesaid agreements. We have also reviewed the yield of United States Treasury Active Curve of 7-years as at the Transaction 1 Amendment Date quoted from Bloomberg and the report published by Moody's Investor Service for the respective adopted parameters in the option pricing model, where the reference of interest rate to the yield of United States Treasury Active Curve is common in option pricing model. For the assigned probabilities for the liquidation scenario, we noted that the adopted source of reference, being "Default Trends — Global: Corporate default rate to moderate in 2024 but remain near its long-term average" was the latest available report at the Transaction 1 Amendment Date, and that the adopted assigned probability of 42.79% is in line with the default rate for companies with comparable credit profile as Shenzhen Jiahong and comparable life to expiration from Transaction 1 Amendment Date to 30 June 2032 of approximately 7.49 years as suggested in the report. In arriving at the expected volatility, the Valuer has identified a peer group of publicly listed companies operating in similar sector quoted from Bloomberg based on the following criteria: (i) with a primary business focus on GaN, SiC, power semiconductors or epitaxial wafers; (ii) shares of which are publicly traded on major exchanges, such as the Stock Exchange, Shanghai Stock Exchange, Taiwan Stock Exchange, National Association of Securities Dealers Automated Quotations (NASDAQ) and Frankfurt Stock Exchange; and (iii) shares of which have sufficient trading history and available trading data for the one year prior to the Transaction 1 Amendment Date. We noted that the adopted expected volatility represents the median of the historical volatilities of the adopted exhaustive list of the peer group of 39.8%.

In addition, the Valuer has confirmed that the methodologies, bases and assumptions adopted in arriving at the above parameters conform to the common industry practice. Based on the above, the Valuer then applied back-solve analysis to infer the implied total equity value of Shenzhen Jiahong as at Transaction 1 Amendment Date such that the modeled value of the preferences shares shall be equal to the actual investment amount paid under the Transaction 1 of approximately US$7,512,122 as at

the Transaction 1 Amendment Date, resulting in the value of approximately US$84,514,382. By deducting the value of the preference shares from the implied total equity value of Shenzhen Jiahong, residual value of approximately US$77,002,260 was arrived. On such basis and taking into account the number of 16,726,565 ordinary shares of Shenzhen Jiahong as at the Transaction 1 Amendment Date, the implied value per ordinary share of Shenzhen Jiahong under Transaction 1 was US$4.60.

Based on our review and analyses of the Valuation Report as aforementioned, having considered the competence and qualification of the Valuer, we are of the view that the methodology, principal bases and assumptions adopted in the Valuation are fair and reasonable.

According to the Valuation Report, by taking the average of the implied consideration per ordinary share under the Transaction 1 of US$4.60 and the transacted consideration per ordinary share under the Transaction 2 of approximately US$8.34, the appraised value amounted to US$6.47 per ordinary share of Shenzhen Jiahong and on such basis, the appraised value in respect of the approximately 8.34% equity interests of Shenzhen Jiahong held by Target Company A (the "**Appraised Value A**") amounted to approximately US$9,729,000 (equivalent to approximately HK$75,691,620) as at the Valuation Date. For our due diligence purpose, we have attempted to cross-check the fairness and reasonableness of the appraised value of US$6.47 per ordinary share of Shenzhen Jiahong by referencing to the valuation of other comparable companies by using valuation methods including price-to-earnings ratio and price-to-sale ratio. Taking into account that Shenzhen Jiahong recorded a net loss for the financial year ended 31 December 2024, we consider the price-to-earnings ratio analysis inapplicable, and have primarily replied upon the analysis via price-to-sales ratio. We have set the following criteria to select comparable companies for the purpose of our analysis, namely (i) shares of the companies being listed on the Stock Exchange as at the date of the Agreements; (ii) principally engaged in research and development and manufacture of semiconductors including GaN, SiC, power semiconductors or epitaxial wafers with over 50% of total revenue being generated from such business segment in its latest financial report; and (iii) at a comparable stage of development to Shenzhen Jiahong, being the preliminary phase of revenue generation. Yet, on a best-effort basis, nil comparable companies have been identified based on the selection criteria above.

For our due diligence purpose, we have further considered making reference to the recent comparable transactions. Specifically, we have attempted to identify comparable transactions which (i) involved acquisitions of equity interests in private companies principally engaged in research and development and manufacture of semiconductors including GaN, SiC, power semiconductors or epitaxial wafers; and (ii) were initially announced by other listed companies whose shares were listed on the Stock Exchange during the period from 1 June 2025 and up to the date of the Agreements (the "**Review**

Period"), which in our view represents a recent and adequate period to illustrate the prevailing market practice for the comparable transactions. Yet, on a best-effort basis, nil comparable transactions have been identified based on the selection criteria above.

Given that our analyses of both comparable companies and comparable transactions provided nil results, and taking into account (i) that the Valuation has been conducted via market approach by referencing to Transaction 1 and Transaction 2, which represent the recent comparable transactions involving transfer of equity interests in Shenzhen Jiahong; (ii) the experience and qualifications of the Valuer, including the responsible officer of the Valuer overseeing the Valuation; and (iii) that the methodology, principal bases and assumptions adopted in the Valuation are fair and reasonable as analysed above, we consider it justifiably reasonable to primarily consider the Valuation in assessing the fairness and reasonableness of the Consideration A.

We have reviewed the management accounts of the Target Company A for the eight months ended 30 November 2025, and noted that the sole assets of Target Company A as at 30 November 2025 was the investment in securities being its equity interests held in Shenzhen Jiahong and there were no liabilities for Target Company A as at 30 November 2025. On such basis, considering that (i) the Consideration A of HK$73,388,000 represents a discount of approximately 3.04% to the Appraised Value A; and (ii) the reasons for and benefits of entering into the Agreement A as analysed above, we are of the view that the Consideration A is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.1.2 Assessment of the Issue Price

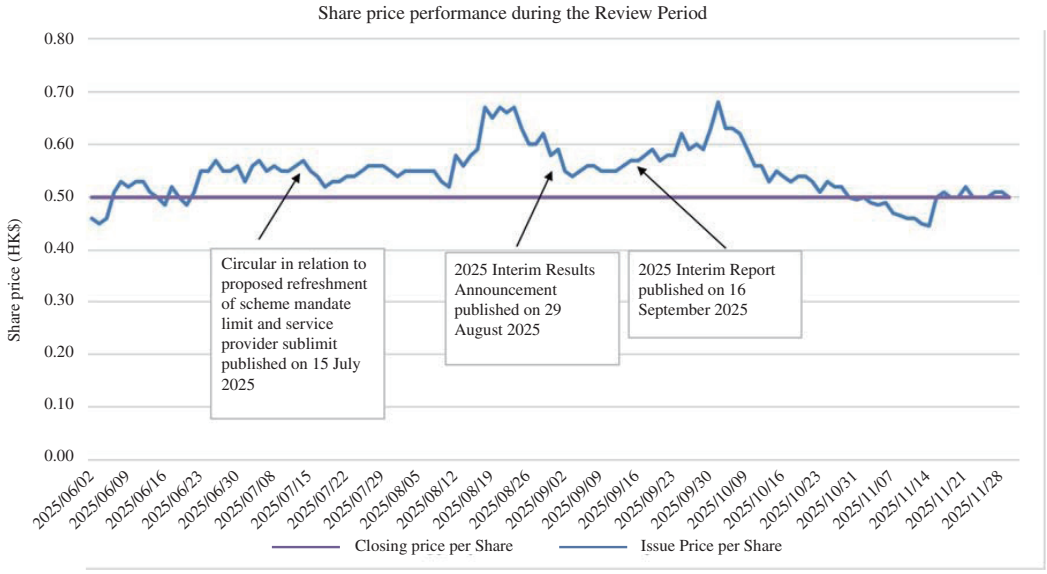
As set out in the Letter from the Board, the Issue Price of HK$0.50 per Consideration Share was determined on an arm's length basis between the Company and Vendors A with reference to the recent trading prices of the Shares.

In assessing the fairness and reasonableness of the Issue Price, we have primarily made reference to (i) the historical performance of the Share price; (ii) the historical trading liquidity of the Shares; and (iii) the comparison with other comparable transactions in the market, details of which are set out below respectively.

1. Historical price performance of the Shares

We have reviewed the daily closing prices of the Shares for the Review Period. We consider that the Review Period, being the six months immediately prior to and including the date of the Agreement A, is recent and adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing Share prices prior to the date of the Agreement A and such comparison is relevant for the assessment of the fairness and reasonableness of

the Issue Price. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the Shares have traded between HK$0.445 and HK$0.680 all the time during the Review Period, with an average price of HK$0.546. Accordingly, the Issue Price represents a premium of approximately 12.4% to the lowest closing Share price, and a discount of approximately 8.4% and 26.5% to the average and highest closing Share prices, respectively during the Review Period. As illustrated in the chart above, the Share price recorded the highest closing price of HK$0.680 on 2 October 2025 and the lowest closing price of HK$0.445 on 14 November 2025. On 15 July 2025, the Company published the circular in relation to proposed refreshment of scheme mandate limit and service provider sublimit. Subsequent to the circular and before the publication of interim results announcement for 6M2025 on 29 August 2025, we noted that the Share prices fluctuated within HK$0.500 to HK$0.670. As advised by the Management, they are not aware of any particular reasons which might have led to such fluctuation of the Share price. After the publication of interim report for 6M2025 on 16 September 2025, the Share price demonstrated a modest general upward trend and reached its highest point of HK$0.680 on 2 October 2025, upon which the Share price had been generally decreasing towards the end of the Review Period. Based on the public information available and as advised by the Management, the Management are not aware, and we concur with the Management that we are not aware, of any particular reasons which might have led to such fluctuation of the Share price.

2. Historical trading liquidity of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to the total number of the issued Shares as at the end of the month/period during the Review Period:

2025	**Total trading volume of the Shares for the month/period**	**Number of trading days**	**Average daily trading volume of the Shares for the month/ period**	**Percentage of the average daily trading volume over total number of the issued Shares as at the end of the month/period**
June	71,837,500	21	3,420,833	0.3644%
July	66,900,268	22	3,040,921	0.3239%
August	164,105,246	21	7,814,536	0.8324%
September	102,946,272	22	4,679,376	0.4984%
October	66,058,068	20	3,302,903	0.3518%
November	29,808,500	20	1,490,425	0.1588%
December (up to the date of the Agreements)	543,000	1	543,000	0.0578%
Maximum			**7,814,536**	**0.8324%**
Minimum			**543,000**	**0.0578%**
Average			**3,470,285**	**0.3696%**

Source: the website of the Stock Exchange (www.hkex.com.hk)

As illustrated from the table above, the average trading liquidity of the Shares was generally thin, with the average daily trading volume of the Shares having accounted for a range from approximately 0.0578% to 0.8324% of the total number of Shares in issue as at the end of relevant month/period.

3. Comparable with comparable transactions

Moreover, in assessing the fairness and reasonableness of the Issue Price, we have carried out a comparable analysis by referencing to other comparable acquisitions involving issue of consideration shares as initially announced by companies listed on the Stock Exchange during the Review Period, excluding those issues involving capital reorganisation or restructuring of listed issuers, application of whitewash wavier and/or issues of A shares or domestic shares which, in our view are different from the Company's circumstances and the structure of the

Proposed Acquisition under the Agreement A. On a best-effort basis, we have identified an exhaustive list of 20 transactions having met the aforesaid criteria (the "**Comparable Issues**").

It is worth noting the underlying issuers of the Comparable Issuers may or may not be identical to the Company in terms of businesses, market capitalisations, profitability, financial positions, operations and prospects, and that the circumstances leading to the Comparable Issues to issue shares may differ from that of the Company under the Agreement A. Nevertheless, we consider that the Comparable Issues could provide a general reference of the recent market practices for the purpose of our assessment. Set out below are the details of the Comparable Issues.

Date of the initial announcement	**Stock code**	**Company Name**	**Premium/ (Discount) over/of the issue price to closing price per share on the last trading day prior to/on the date of the respective announcement (the "Premium/ Discount")** %	**Premium/ (Discount) over/of the issue price to average closing price per share on the last five trading days prior to/on the date of the respective announcement (the "Five Days Premium/ Discount")** %
6 November 2025	2175	China General Education Group Limited	0.0	14.68
6 November 2025	2503	Zhongshen Jianye Holding Limited	(7.02)	(6.69)
15 October 2025	2373	Beauty Farm Medical and Health Industry Inc.	(19.67)	(21.13)
30 September 2025	804	Pinestone Capital Limited	0.0	1.78
30 September 2025	8160	Goldway Education Group Limited	(19.40)	(19.88)
30 September 2025	1283	Accel Group Holdings Limited	(1.40)	(2.50)
1 September 2025	1931	IVD Medical Holding Limited	0.0	11.80
29 August 2025	2250	B.Duck Semk Holdings International Limited	(12.02)	(8.86)
28 August 2025	9986	Dashan Education Holdings Limited	(18.75)	(19.88)
28 August 2025	1729	Time Interconnect Technology Limited	(20.00)	(16.18)
22 August 2025	205	SEEC Media Group Limited	(17.46)	(18.50)
21 August 2025	264	China International Development Corporation Limited	17.36	5.19
19 August 2025	2012	Sunshine Oilsands Ltd.	33.58	57.57

Date of the initial announcement	Stock code	Company Name	Premium/ (Discount) over/of the issue price to closing price per share on the last trading day prior to/on the date of the respective announcement (the "Premium/ Discount") %	Premium/ (Discount) over/of the issue price to average closing price per share on the last five trading days prior to/on the date of the respective announcement (the "Five Days Premium/ Discount") %
6 August 2025	2195	Unity Enterprise Holdings Limited	(19.79)	(18.43)
1 August 2025	8427	WS-SK Target Group Limited	(18.5)	(15.00)
28 July 2025	1102	Enviro Energy International Holdings Limited	(3.85)	(4.21)
21 July 2025	1725	USPACE Technology Group Limited	(19.23)	(20.25)
14 July 2025	1520	Virtual Mind Holding Company Limited	(33.33)	(39.02)
12 June 2025	2246	GOGOX HOLDINGS LIMITED	(0.62)	(1.40)
2 June 2025	863	OSL Group Limited	3.59	0.0
Maximum			**33.58**	**57.57**
Minimum			**(33.33)**	**(39.02)**
Median			**(9.52)**	**(7.78)**
Average			**(7.69)**	**(5.80)**
Issue Price			**0.0**	**(0.79)**

Source: The official website of the Stock Exchange (http://www.hkex.com.hk)

As illustrated by the table above, we note that the Premium/Discount of the Comparable Issues ranged from a discount of approximately 33.33% to a premium of approximately 33.58%, with the average of a discount of approximately 7.69% and median of a discount of approximately 9.52%. In addition, the Five Days Premium/Discount of the Comparable Issues ranged from a discount of approximately 39.02% to a premium of approximately 57.57%, with the average of a discount and the median of a discount of approximately 5.80% and approximately 7.78%, respectively.

Accordingly, (i) the Issue Price, which equals to the closing price per Share on the date of the Agreement A, is more favourable than the corresponding average and median of the Premium/Discount of the Comparable Issues, each being a discount; and (b) the discount of the Issue Price to the closing price per Share for

the last five consecutive trading days prior to the date of the Agreement A of approximately 0.79% is more favourable than the corresponding average and median of the Five Days Premium/Discount of the Comparable Issues.

Considering (i) that the Issue Price, which equals to the closing price of HK$0.50 per Share as quoted on the 1 December 2025 is more favourable than the corresponding average and median of the Premium/Discount of the Comparable Issues; (ii) the discount of the Issue Price to the closing price per Share for the last five consecutive trading days prior to the date of the Agreement A of approximately 0.79% is more favourable than the corresponding average and median of the Five Days Premium/Discount of the Comparable Issues; (iii) the generally decreasing trend of the closing price of the Shares after publication of the 2025 Interim Report and towards the end of the Review Period; (iv) that the Issue Price falls within the range of the historical closing price of the Shares range during the Review Period; and (v) the thin trading liquidity of the Shares during the Review Period which indicates the potential difficulties for disposing of the Consideration Shares in the market without offering any discount to the prevailing share price, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

In light of the above, we are of the view that the principal terms of the Agreement A, including but not limited to the determination of the Consideration A and the Issue Price, are fair and reasonable so far as the Independent Shareholders are concerned.

3.2. The Agreement B

On 1 December 2025, the Company entered into the Agreement B with Vendor B, pursuant to which the Company has conditionally agreed to purchase, and Vendor B have conditionally agreed to sell, the Sale Shares B, representing 100% of the entire issued share capital of Target Company B, at the Consideration B of HK$40,816,000. Consideration B shall be satisfied by the Company by way of issue of the Promissory Note to Vendor B upon Completion B. For further details of the principal terms of the Agreement B, please refer to the sub-section headed "THE AGREEMENT B" of the Letter from the Board.

3.2.1. Assessment of the Consideration B

As disclosed in the Letter from the Board, the Consideration B was arrived at after arm's length negotiations between the Company and Vendor B and after taking into account, among others, the value of approximately 4.64% equity interests in Shenzhen Jiahong with reference to the preliminary valuation thereof as at the Valuation Date conducted by the Valuer.

In assessing the fairness and reasonableness of the determination of the Consideration B, we have primarily taken into account the appraised value of each ordinary share of the Shenzhen Jiahong as at the Valuation Date. For further details on our assessment of the methodology, principal bases and assumptions adopted for the Valuation, please refer to the sub-section headed "3.1.1. Assessment of the Consideration A" above in this letter. Based on the appraised value of US$6.47 per ordinary share of Shenzhen Jiahong as at the Valuation Date, the appraised value in respect of the approximately 4.64% equity interests of Shenzhen Jiahong held by Target Company B amounted to approximately US$5,411,000 (equivalent to approximately HK$42,097,580) (the "**Appraised Value B**") as at the Valuation Date. For our due diligence purpose, we have reviewed the management accounts of the Target Company B for the eight months ended 30 November 2025, and noted that the sole assets of Target Company B as at 30 November 2025 was the investment in securities being its equity interests held in Shenzhen Jiahong and there were no liabilities for Target Company B as at 30 November 2025. Accordingly, considering that (i) the Consideration B of HK$40,816,000 represents a discount of approximately 3.04% to the Appraised Value B; and (ii) the reasons for and benefits of entering into the Agreement A as analysed above, we are of the view that the Consideration B is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2.2. Assessment of the terms of the Promissory Note

Subject to the terms and conditions of the Agreement B, the Company shall settle the Consideration B by issue of the Promissory Note to the Vendor. For further details on the principal terms and conditions of the Promissory Note, please refer to the sub-section headed "Promissory Note" of the Letter from the Board.

In assessing the fairness and reasonableness on the terms of the Promissory Note, we have conducted a comparable analysis by referencing to other comparable acquisitions involving the issue of promissory notes as initially announced by companies listed on the Stock Exchange during the Review Period. On a best-effort basis, we have identified an exhaustive list of three comparable transactions having met the aforesaid selection criteria (the "**PN Comparables**").

It is worth noting that the underling issuers of the PN Comparables may or may not be identical to the Company in terms of businesses, market capitalisations, profitability, financial positions, operations and prospects of the Company. Nevertheless, we consider that the PN Comparables could serve as a general reference of the recent market practice for the purpose of our assessment.

Set out below is the summary of the PN Comparables:

Date of the initial announcement	Stock code	Company name	Interest rate per annum (%)
8 October 2025	775	CK Life Sciences Int'l., (Holdings) Inc.	4.0%
30 September 2025	8160	Goldway Education Group Limited	3.0%
6 August 2025	2195	Central New Energy Holding Group Limited	Nil
Maximum			**4.0%**
Minimum			**Nil**
Median			**3.0%**
Average			**2.3%**
Promissory Note			**2.0%**

Source: The official website of the Stock Exchange (http://www.hkex.com.hk)

As set out above, (i) the interest rates of the PN Comparables ranged from nil to 4.0%, with the average and median of approximately 2.3% and 3.0%, respectively. Accordingly, the interest rate of the Promissory Note is 2.0% is within the range of interests rates of the PN Comparables and below the average of the interest rates of the PN Comparables.

In light of the above, we are of the view that the principal terms of the Agreement B, including but not limited to the determination of the Consideration B and the principal terms of the Promissory Note, are fair and reasonable so far as the Independent Shareholders are concerned.

4. POSSIBLE DILUTION EFFECT ON THE EXISTING PUBLIC SHAREHOLDING INTEREST

As depicted by the shareholding table under the section headed "EFFECT OF SHAREHOLDING STRUCTURE OF THE COMPANY" of the Letter from the Board, shareholding interests of other public Shareholders would be diluted from approximately 66.54% as at the Latest Practicable Date to approximately 57.54% immediately upon Completion A and the allotment and issue of the Consideration Shares, assuming that there will be no other changes in the issued share capital of the Company from the Latest Practicable Date up to (and including) or (as the case may be) the Completion Date.

In view of the (i) reasons for and benefits for implementing the Proposed Acquisitions as discussed in the section headed "2. Reasons for and benefits of the Proposed Acquisitions" of this letter; and (ii) the terms of the Agreements are fair and reasonable; and (iii) the potential financial impacts of the Proposed Acquisitions on the Group as discussed below, we are of the view that the aforesaid level of dilution to the shareholding interests of the Independent Shareholders are justifiable.

5. FINANCIAL EFFECT OF THE PROPOSED ACQUISITIONS

As at the Latest Practicable Date, the Company had nil equity interests in each of the Target Companies and approximately 60.3% equity interests in Shenzhen Jiahong. Upon Completion, (i) the Target Companies will become wholly-owned subsidiaries of the Company and financial results of the Target Company will be consolidated into the financial statements of the Company; and (ii) Shenzhen Jiahong will remain as an indirect non wholly-owned subsidiary of the Company as to approximately 73.28% equity interests and the financial results of Shenzhen Jiahong will continue to be consolidated into the financial statements of the Company.

When assessing the financial impacts of the Proposed Acquisitions and the transaction contemplated thereunder, we have primarily taken into account the following aspects:

5.1 Earnings

According to the 2024 Annual Report, the Group recognised net loss of approximately RMB156.8 million for the FY2024. Considering that (i) the Target Company A and the Target Company B are investment holding companies which recognised modest net losses of approximately RMB17,000 and approximately RMB13,000, respectively, for the financial year ended 31 March 2025; and (ii) the financial results of Shenzhen Jiahong have been previously consolidated into the financial statements of the Company, and shall continue to be consolidated into the financial statements of the Company upon Completion, it is expected that the Acquisitions will have no material impacts on the earnings of the Group.

5.2 Net assets

According to the 2025 Interim Report, the Group recorded net assets of approximately RMB532.9 million as at 30 June 2025. Considering that each of Consideration A and Consideration B represents a discount to the Appraised Value A and the Appraised Value B, respectively, it is expected that the Acquisitions will generally have positive impacts on the net asset position of the Group upon Completion.

RECOMMENDATIONS

Having taken into consideration the factors and reasons as stated in this letter, we are of the view that the Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note are fair and reasonable and 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 Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares and the issue of the Promissory Note.

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.

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Licence No.: C-030171

7 January 2026

The Board of Directors
HG Semiconductor Limited
Room 2607, 26/F, West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Dear Sirs,

In accordance with the instructions from HG Semiconductor Limited (the "**Company**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has undertaken a valuation exercise which requires us to express an independent opinion on the market value per Ordinary Share (the "**Subject**"), each carrying a nominal value of US$1, in Shenzhen Jiahong Semiconductor Company Limited (the "**Target Company**", and together with its subsidiaries, the "**Target Group**") as of 30 September 2025 (the "**Valuation Date**"). The report which follows is dated 7 January 2026 (the "**Report Date**"). The purpose of this valuation is to express an independent opinion for the Company's internal reference and inclusion in its public disclosure.

Our Valuation was carried out with consideration of the International Valuation Standards (the "**IVS**") issued by the International Valuation Standards Council (the "**IVSC**") on a market value basis. According to the IVS, market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

BACKGROUND

The Target Company is a company incorporated in the PRC with limited liability; it is an indirect non-wholly owned subsidiary of the Client. Its business scope 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.

The capital structure of the Target Company as of the Valuation Date is as follows:

Equity Class	Nominal Value (US$)/Number of Shares	Shareholding (%)
Ordinary Shares	17,111,276.11	94.90%
Ordinary Shares with Redemption and Liquidation Rights ("**Preferential Shares**")	919,961.08	5.10%
Total	**18,031,237.19**	**100.00%**

Note: Each Ordinary Share in the Target Company has a nominal value of US$1.

The table below shows the shareholders and their respective shareholding and investment amount as at the Valuation Date:

Shareholder	Investment Date	Nominal Value (US$)	Shareholding (%)	Investment Amount (US$)	Unit Price (US$)
Swift Power Limited	N/A	10,872,267.32	60.30%	19,500,000.00	1.79
徐州地恒半導體科技合夥企業 (有限合夥)	N/A	3,514,251.33	19.49%	3,514,251.33	1.00
Join Gain HK Limited	N/A	1,503,718.20	8.34%	2,697,000.00	1.79
Red Mont HK Limited	N/A	836,328.26	4.64%	850,000.00	1.02
台州匯融嘉能友創股權投資合夥企業 (有限合夥) ("**Taizhou Huirong**")	28 September 2023 and amended on 1 January 2025	919,961.08	5.10%	7,512,121.83	8.17
Orchid Enterprises Limited ("**Orchid**")	18 September 2025	384,711.00	2.13%	3,209,063.51	8.34
Total		**18,031,237.19**	**100.00%**	**37,282,436.67**	

We are given to understand that the Company is proposing to exchange the listed shares of the Company for the shares of Target Company held by Join Gain HK Limited and Red Mont HK Limited.

FINANCIAL PERFORMANCE OF THE TARGET GROUP

Key financial information of the Target Group for the last three financial years ended 31 December are set out as below:

Reporting Period	Year ended 31 December 2023	Year ended 31 December 2024	Nine months ended 30 September 2025
Amounts in RMB	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2,634,336	1,359,982	17,854,697
Net profit (Loss)	(42,533,678)	(36,065,369)	(44,317,997)

The Target Company's revenue was primarily generated from gallium nitride (GaN) wafers and transistors in 2023 and 2024, decreasing by 48% from RMB2.6 million in 2023 to RMB1.4 million in 2024. However, revenue increased significantly to RMB17.9 million for the nine months ended 30 September 2025, up from RMB1.4 million in the full year 2024.

This growth was primarily driven by the commencement of mass production of 700V GaN D-mode device — the Target Company's latest product launched in May 2025. As of 15 October 2025, the Company had delivered over 100 six-inch GaN power device epitaxial wafers at a tax-inclusive price of RMB4,000 per wafer. Additionally, sales of LCD displays saw significant growth in 2025.

TRANSACTIONS OF SHARES IN THE TARGET COMPANY

Transaction 1

On 28 September 2023 ("**Transaction 1 Date**"), 台州匯融嘉能友創股權投資合夥企業（有限合夥) ("**Taizhou Huirong**"), an independent third-party investor, committed to invest RMB100 million in exchange for newly issued Ordinary Shares with preferential redemption and liquidation rights ("**Transaction 1**"). Preferential Shares with a nominal value of US$1,672,656.51 were issued on the same date. Out of the total commitment, RMB55 million was paid upon satisfaction of initial closing conditions. The remaining RMB45 million was subject to deferred payment, conditional upon the Target Company's acquisition of specified production equipment.

Under the original terms, in the event of any voluntary or involuntary liquidation, dissolution, or winding-up of the Target Company, Taizhou Huirong would have been entitled to receive, prior to holders of Ordinary Shares, an amount equal to the original issue price plus 8% per annum simple interest and any declared but unpaid dividends. Additionally, if a qualified exit event had not occurred by 30 June 2030, Taizhou Huirong would have had the right to require the Target Company to redeem its shares at that same price.

On 1 January 2025 ("**Transaction 1 Amendment Date**"), the parties amended the agreement ("**Transaction 1 Amendment**") such that the obligation for Taizhou Huirong to make the deferred RMB45 million payment was waived. Concurrently, the nominal value of the Preferential Shares was amended to US$919,961.08, with the preferential rights revised: the return rate was reduced from 8% to 6% per annum simple interest, and the qualified exit deadline was extended to 30 June 2032.

Transaction 2

On 18 September 2025 ("**Transaction 2 Date**"), Orchid Enterprises Limited ("**Orchid**"), an independent third-party investor, acquired Ordinary Shares in the Target Company with a nominal value of US$384,711.00 for a total consideration of US$3,209,063.51, implying a price of US$8.34 per Ordinary Share ("**Transaction 2**"). These shares carry no redemption or liquidation preferences and are identical in class and economic rights to the subject share being valued.

We are given to understand both Transaction 1 and Transaction 2 are entered under market condition and between knowledgeable independent third parties.

OPERATIONAL PROGRESS FOLLOWING TRANSACTION 1

We understand that the RMB55 million funded under Transaction 1 was fully allocated toward the acquisition and installation of production equipment, as well as research and development activities, in accordance with the Company's business plan and Transaction 1 agreements.

The key equipment was successfully installed and commissioned in July 2024. Subsequently, the Company achieved its planned milestone with the release of the 6-inch GaN 700V D-mode Epitaxial Wafer — in December 2024, as scheduled.

Given that these operational milestones were met without reliance on the waived RMB45 million payment, we consider the equity value of the Target Company after Transaction 1 Amendment to reflect substantially the same level of business progress and strategic development as originally anticipated under Transaction 1.

SOURCES OF INFORMATION

In conducting our valuation of the Subject, we have reviewed information including, but not limited to:

- Background information of the Target Group;
- Historical financial information of the Target Group from financial year 2023 to September 2025;
- The shareholder agreement dated 28 September 2023;

- The capital injection agreements to issue additional share capital to Taizhou Huirong dated 28 September 2023;
- The shareholder agreement dated 1 January 2025 (in relation to Transaction 1 Amendment);
- The latest shareholder agreement (the "**Shareholder Agreement**") dated 18 September 2025;
- The capital injection agreements to issue additional share capital to Orchid dated 18 September 2025;
- Other operation and market information in relation to the business of the Target Group.

We have held discussions with management of the Company and assumed such information to be reliable and legitimate, and we have relied to a considerable extent on the information provided in arriving at our conclusion of value.

BASIS OF OPINION

We have conducted our valuation in accordance with the IVS. The valuation procedures employed include a review of legal status and economic condition of the Target Group and an assessment of key assumptions, estimates and representations made by the proprietor or the operator of the Target Group. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The nature of business and history of the operation concerned;
- The financial condition of the Subject;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business;
- Consideration and analysis on the micro and macro economy affecting the business of the Target Group; and
- Assessment of the liquidity of the business of the Target Group.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the valuation of the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate method, we evaluated the valuation purpose, the basis of value, and the availability and reliability of information, along with each approach's suitability given the nature of the Subject.

The income approach was deemed inappropriate due to the high sensitivity of results to assumptions and the lack of a sufficient historical financial track record for the Target Company to support objective long-term financial projections as of the Valuation Date. The cost approach was also unsuitable because it does not capture the economic earnings potential of the Target Group's business.

Therefore, we adopted the market approach, which prioritizes observable, arm's-length transactions in the equity of the subject company. Under IVS, such transactions are considered strong indicators of value when they involve independent parties, occur close to the valuation date, and reflect genuine market dynamics. Two recent capital injections provide material market evidence:

(i) Transaction 1 (initially on 28 September 2023 and amended on 1 January 2025): An aggregate commitment of RMB100 million was made by Taizhou Huirong, an independent third-party investor, for newly issued ordinary shares with preferential redemption and liquidation rights. Of this amount, RMB55 million was funded upfront, and the remaining RMB45 million obligation was formally waived on 1 January 2025. Concurrently, the preferential terms were revised, reducing the return rate from 8% to 6% per annum and extending the qualified exit deadline to 30 June 2032.

Given the differential rights attached to these shares, a back-solve analysis using an Option Pricing Model ("**OPM**") was performed to derive the implied value of standard ordinary shares, resulting in an adjusted implied price of US$4.60 per Ordinary Share. This calculation will be discussed later in Exhibit A. This transaction represents a significant third-party investment and reflects early market validation of the company's technology roadmap and business plan.

(ii) Transaction 2 (18 September 2025): Orchid, another independent third-party investor, acquired share capital of US$384,711.00 nominal value — identical in class and economic rights to the Subject — at a total consideration of US$3,209,063.51, implying a price of US$8.34 per Ordinary Share. The transaction occurred with close proximity to the Valuation Date and under prevailing market conditions.

Both transactions were conducted at arm's length and involved knowledgeable, unaffiliated investors. While Transaction 2 offers the advantage of recency, Transaction 1 involved a larger committed capital amount and represented a strategic endorsement of the company's development stage and production capabilities. As such, both transactions contribute materially to the overall assessment of investor sentiment and perceived value.

Accordingly, to reflect the relevance of both investments — one for its scale and strategic context, the other for its timing — the concluded value is derived as a simple arithmetic average of the two implied ordinary share values.

MAJOR ASSUMPTIONS

We have evaluated assumptions that significantly affect the valuation to establish a reasonable and supportable basis for our conclusion. The following key assumptions underpin our determination of the market value of the Subject:

- Transaction 1 and Transaction 2 were arm's-length and entered between knowledgeable, independent third parties, as confirmed in discussions with the Company's management.
- Given the close proximity between Transaction 1 Amendment Date, Transaction 2 Date and the Valuation Date, there have been no material changes in the Target Group's business plan, strategic direction, capital structure, or financial outlook.
- The financial and operational information provided by the Company — including management accounts and contractual agreements — is accurate, and we have relied on this information to a significant extent in forming our opinion.
- All operational and contractual terms set forth in relevant agreements will be duly honoured.
- The Target Group complies with all applicable laws, statutes, ordinances, and regulations, and all required licenses and permits are valid and renewable upon expiry.
- No material adverse changes will occur in the prevailing political, legal, technological, fiscal, or economic environment that would negatively impact the Subject's business.
- The operating licenses and incorporation documents provided to us are valid, complete, and reliable.
- There are no hidden or undisclosed conditions affecting the valued assets that could materially impair their value.

Note: We assume no responsibility for changes in market conditions or other external factors occurring after the Valuation Date.

VALUATION ANALYSIS

Analysis of Transaction 1

The investment by Taizhou Huirong on 28 September 2023 involved shares with preferential redemption and liquidation rights, which differ in economic substance from standard ordinary shares. As such, the transaction price cannot be used directly to determine the value of the Subject.

A back-solve analysis was performed using an Option Pricing Model (OPM) to allocate equity value across share classes based on their respective rights under various exit scenarios (liquidation, redemption, or continuation). This approach is commonly applied when valuing companies with multiple share classes carrying different preferences.

The model incorporated the terms of Transaction 1 and Transaction 1 Amendment effective 1 January 2025, including the waiver of the RMB45 million payment obligation and the revision of return rate and exit timeline. This calculation will be discussed later in Exhibit A.

Based on this analysis, the implied value of one Ordinary Share (without preferences) as of Transaction 1 Amendment Date is US$4.60.

Analysis of Transaction 2

On 18 September 2025, Orchid Enterprises Limited acquired Ordinary Shares in the Target Company at a price of US$8.34 per Ordinary Share. These shares carry no special rights and are identical to the Subject.

While this transaction occurred close to the Valuation Date and provides a direct market reference, it represents a smaller investment than Transaction 1.

Therefore, both transactions were considered in deriving the final value indication, with appropriate weighting given to scale, timing, and comparability.

CALCULATION OF VALUATION RESULT

The market value of one Ordinary Share is derived using the prior transaction method under the market approach. Given the relevance of both Transaction 1 (scale and strategic context) and Transaction 2 (recency and direct comparability), the concluded value is based on a simple arithmetic average of the two implied values:

	Value per Ordinary Share *(USD)*
Implied value from Transaction 1	4.60
Observed value from Transaction 2	8.34
Market value (Average of the above)	**6.47**

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target Company, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on our analyses, we are of the opinion that the market value of the Subject, i.e. one Ordinary Share in Shenzhen Jiahong Semiconductor Company Limited which carries a nominal value of US$1, as of the Valuation Date is reasonably stated at the amount of **US$6.47.**

For the proposed transaction, the aggregate market value (rounded to nearest thousand) of:

- Ordinary Shares with nominal value of US$1,503,718.20 held by Join Gain HK Limited is US$9,729,000;
- Ordinary Shares with nominal value of US$836,328.26 held by Red Mont HK Limited is US$5,411,000.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle
Corporate Appraisal and Advisory Limited

Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS). He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

EXHIBIT A — EQUITY ALLOCATION MODEL AND IMPLIED VALUE DERIVATION (TRANSACTION 1)

Overview

This exhibit outlines the methodology used to derive the implied value of one Ordinary Share in the Target Company based on the capital injection by Taizhou Huirong, i.e. Transaction 1, as amended per Transaction 1 Amendment on 1 January 2025.

Because the shares issued to Taizhou Huirong carry preferential redemption and liquidation rights, a direct comparison to standard ordinary shares is not appropriate. Therefore, an Option Pricing Model (OPM) was applied under the back-solve method to estimate the implied fair value of ordinary shares without preferences.

The OPM treats each share class as a call option on the total equity value of the company, with different payoff structures depending on exit timing and proceeds distribution.

Key Transaction Terms

Term	Original (28 September 2023)	Amended (1 January 2025)
Total investment commitment	RMB100 million (approx. US$13.68M)	RMB55 million funded (approx. USD 7.51M); RMB45 million waived
Shares issued in nominal value	US$1,672,656.51	US$919,961.08
Share class	Ordinary Shares with Redemption and Liquidation Rights ("**Preferential Shares**")	Same
Liquidation preference	Original issue price + 8% p.a. simple interest	Original issue price +6% p.a. simple interest
Redemption right	If no qualified exit by 30 Jun 2030	If no qualified exit by 30 Jun 2032
Exit mechanism	Priority distribution before ordinary shareholders	Same

Post-Transaction Capital Structure

Equity Class	Nominal Value (US$) As of 28 September 2023	Shareholding (%) As of 28 September 2023	Nominal Value (US$) As of 1 January 2025	Shareholding (%) As of 1 January 2025
Ordinary Shares	16,726,565.11	90.91%	16,726,565.11	94.79%
Preferential Shares	1,672,656.51	9.09%	919,961.08	5.21%
Total	**18,399,221.62**	**100.00%**	**17,646,526.19**	**100.00%**

Basis of Equity Allocation: Option Pricing Model (OPM)

The OPM treats each share class as a call option on the total equity value of the company, with different payoff structures depending on the outcome at exit.

Two scenarios are modeled:

1. **Liquidation Scenario:** Involuntary or voluntary winding-up

2. **Non-Liquidation (Continuation) Scenario:** Business continues or exits via IPO/M&A above thresholds

Each scenario is assigned a probability, and the expected value per share class is calculated on a probability-weighted basis.

Scenario Definitions and Payoff Structures

(a) ***Non-Liquidation Scenario***

- Total equity value distributed on an as-if-fully-converted basis
- All shares participate proportionally in proceeds
- Applies when exit occurs and proceeds exceed liquidation thresholds

(b) ***Liquidation Scenario***

If total equity value under various conditions are allocated as follows:

Condition	**Distribution**
Equity Value < US$10,889,646	Fully distributed to Preferential Shares; Ordinary Shares receive $0
Equity Value > US$10,889,646	Preferential Shares receive up to their claim (original investment + 6% interest); remainder will be distributed pro rata among all shareholders

Liquidation Preference Amount (as of 1 Jan 2025):

RMB55M (approx. US$7,512,121.83) × (1 + 6% × 7.49 years) ≈ **US$10,889,646**

Probability Weighting Assumptions

Scenario	**Assigned Probability**	**Remarks**
Liquidation	42.79%	With reference to a Moody's statistics for companies with similar financial position and performance as the Target Company
Continuation/Non-Liquidation	57.21%	Residual
Total	**100.00%**	

OPM Input Parameters (as of 1 Jan 2025)

Parameter	Value	Basis
Life to expiration (T)	7.49 years	Expected time to exit (from Transaction 1 Amendment Date to 30 Jun 2032)
Risk-free interest rate (R)	4.5%	Yield on US Treasury Active Curve matching 7.49-year maturity
Expected volatility (V)	39.8%	Based on historical volatility of selected public comparables (See below)
Strike prices (K)	Multiple tranches: • Option 1: US$0 • Option 2: US$10,889,646	Derived from liquidation thresholds
Current equity value (S)	Iteratively solved	See back-solve process below

Black-Scholes Formula Application

Price of a call option = $S \times N(d_1) - K \times e^{-rt} \times N(d_2)$

Where:

d_1 = $[\ln (S/K) + (R + V^2/2) \times T]/(V \times \sqrt{T})$
d_2 = $d_1 - V \times \sqrt{T}$
N = normal distribution
S = current value of total equity of the subject company
K = strike price of the option
e = exponential
T = life to expiration of the option
R = risk free interest rate corresponding to the life of the option
V = expected volatility in the value of the subject company

This formula is applied separately to each tranche of claims held by the preferential shareholder.

Expected Volatility: Comparable Companies Selection

To determine expected volatility, a peer group of publicly listed companies operating in similar sectors was identified using S&P Capital IQ. Criteria included:

- Focus on GaN, SiC, power semiconductors, or epitaxial wafers
- Publicly traded on major exchanges
- Sufficient trading history and data availability

Stock Code	Company Name	Market Cap as at the Valuation Date (US$ million)	Volatility	Company Description
XTRA: IFX	Infineon Technologies AG	50,928	36.8%	Infineon Technologies AG designs, develops, and markets chips and system solutions for automotive, industrial power control, power management, and sensor applications. The company specializes in power semiconductors, microcontrollers, and RF components used in electric vehicles, renewable energy systems, and IoT devices.
NasdaqGM: NVTS	Navitas Semiconductor Corporation	1,539	90.3%	Navitas Semiconductor Corporation designs and manufactures GaN and SiC power semiconductors for high-efficiency power conversion in consumer, industrial, and automotive markets.
NasdaqGS: POWI	Power Integrations, Inc.	2,256	37.7%	Power Integrations, Inc. designs, develops, manufactures, and markets analog and mixed-signal integrated circuits (ICs), and other electronic components and circuitry used in high-voltage power conversion.
TWSE: 3016	Episil-Prevision Inc.	547	32.9%	Episil-Precision Inc. engages in the development, manufacturing, and sale of silicon epitaxy wafers and compound semiconductor epitaxial wafers in Taiwan, Japan, China, and internationally.

Stock Code	Company Name	Market Cap as at the Valuation Date (US$ million)	Volatility	Company Description
SHSE: 688396	China Resources Microelectronics Limited	10,355	48.5%	China Resources Microelectronics Limited, an investment holding company, engages in the manufacture and sale of semiconductors. The company offers power devices, power modules, power integrated circuits (IC), and intelligent sensors and controls, etc..
SHSE: 600460	Hangzhou Silan Microelectronics Co., Ltd.	7,347	39.8%	Hangzhou Silan Microelectronics Co., Ltd. designs, manufactures, and sells integrated circuits (ICs) and semiconductor components, with product lines covering power management, LED lighting, motor control, and automotive electronics.
SHSE: 688261	Suzhou Oriental Semiconductor Company Limited	1,319	63.4%	Suzhou Oriental Semiconductor Company Limited produces and sells semiconductor devices. The Company manufactures and sells metal oxide semiconductor field effect transistor, insulated gate bipolar transistor, and other products.

The median of the historical volatilities of the comparable companies at 39.8% was adopted in the calculation.

Back-Solve Process

A back-solve methodology was used to infer the total equity value of the Target Company such that the modeled value of the Preferential Shares equals the actual investment amount **(US$7,512,122)**.

Steps:

1. Construct OPM with multiple strike points reflecting liquidation/redemption thresholds.

2. Assign probabilities to each scenario (liquidation and continuation).

3. For a given total equity value, compute the expected payoff to Preferential Shares.

4. Adjust total equity value iteratively until modeled value = actual paid-in capital.

5. Once total equity value is derived, calculate residual value for Ordinary Shares.

Result:

- Implied total equity value as of 1 Jan 2025: **US$84,514,382**
- Value attributable to Preferential Shares: **US$7,512,122**
- Residual value to Ordinary Shares: **US$77,002,260**
- Number of Ordinary Shares outstanding: **16,726,565**
- Implied value per Ordinary Share: **US$4.60**

Conclusion

Based on the above analysis:

- The implied value of one Ordinary Share resulting from Transaction 1, after adjusting for waived funding and revised terms, is **US$4.60**.
- This value serves as a meaningful reference point alongside Transaction 2 in forming the final concluded value.

LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Client/ Target Company and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Client/Target Company in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Client.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The board of directors and the management of Client/Target Company have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target Company because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This Report is confidential to the Client and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. The Client/Target Company agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Client/Target Company and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Client/Target Company and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time. The transaction amount does not need to be close to the result as estimated in this report.

17. The board of directors, management, staff, and representatives of the Client/Target Company have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Client/Target Company and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

1. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

(i) *The Company*

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name	Capacity/Nature of interest	Number of Shares held/ interested *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Dr. Xu Zhihong	Beneficial owner *(Note 3)*	750,000 (L)	0.08%
Mr. Zhao Yi Wen	Interest in a controlled corporation *(Note 4)*	20,218,750 (L)	2.15%
	Beneficial owner *(Note 5)*	750,000 (L)	0.08%
Mr. Li Yang	Beneficial owner *(Note 6)*	750,000 (L)	0.08%
Mr. Zou Haiyan	Beneficial owner *(Note 7)*	200,000 (L)	0.02%
Mr. Siu Miu Man	Beneficial owner *(Note 8)*	200,000 (L)	0.02%
Ms. Liu Wanwen	Beneficial owner *(Note 9)*	200,000 (L)	0.02%

Notes:

1. The letter "L" denotes a long position.

2. There were 938,818,481 Shares in issue as at the Latest Practicable Date.

3. Dr. Xu Zhihong is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.

4. The 20,218,750 Shares is held by First Global Limited, a company wholly owned by Mr. Zhao Yi Wen, in which Mr. Zhao Yi Wen is deemed to be interested under the SFO.

5. Mr. Zhao Yi Wen is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.

6. Mr. Li Yang is interested in the 750,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.

7. Mr. Zou Haiyan is interested in the 200,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.

8. Mr. Siu Miu Man is interested in the 200,000 underlying Shares which may be allotted and issued to him upon vesting of all the Awarded Shares granted to him under the Company's Share Award Scheme.

9. Ms. Liu Wanwen is interested in the 200,000 underlying Shares which may be allotted and issued to her upon vesting of all the Awarded Shares granted to her under the Company's Share Award Scheme.

(b) Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

The Company

Name	**Capacity/Nature of interest**	**Number of Shares held/ interested** *(Note 1)*	**Approximate percentage of shareholding** *(Note 2)*
Jovial Star International Limited	Beneficial owner *(Note 3)*	161,817,231	17.24%
Mr. Zhan	Interest in a controlled corporation *(Note 3)*	161,817,231	17.24%
Wide Yield Investment Holding Limited	Beneficial owner *(Note 4)*	125,625,000	13.38%

Name	Capacity/Nature of interest	Number of Shares held/ interested *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Ms. Qin Anqi	Interest in a controlled corporation *(Note 4)*	125,625,000	13.38%
New Rainbow Developments Limited	Beneficial owner *(Note 5)*	146,745,442	15.63%
Ms. Qin	Beneficial owner	6,485,500	0.69%
	Interest in a controlled corporation *(Note 6)*	146,776,000	15.63%

Notes:

1. The letter "L" denotes a long position.

2. There were 938,818,481 Shares in issue as at the Latest Practicable Date.

3. The 129,453,785 Shares held by Jovial Star International Limited, which is a company wholly owned by Mr. Zhan, in which Mr. Zhan is deemed to be interested under the SFO.

4. The 100,500,000 Shares held by Wide Yield Investment Holding Limited, a company wholly owned by Ms. Qin Anqi, in which Ms. Qin Anqi is deemed to be interested under the SFO.

5. Pursuant to Agreement A, New Rainbow Developments Limited, being Vendor A1, will be allotted and issued 146,745,442 Shares upon Completion A.

6. Pursuant to Agreement A, Vendors A will be allotted and issued an aggregate of 146,776,000 Shares upon Completion A. Since each of Vendors A is a company wholly owned by Ms. Qin, Ms. Qin is deemed to be interested in these 146,776,000 Shares under the SFO.

Shenzhen Jiahong

Name	Approximate percentage of shareholding
The Employee Shareholding Platform	19.49%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or controlling shareholder or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group or has any conflict of interest with the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

6. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group was made up.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the qualifications of the experts whose opinions or advice are contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer

Each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report, opinion (as the case may be) and the references to its name (including its qualifications) in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts named above did not have any direct or indirect interest in any assets of the Group which have, since 31 December 2024, being the date to which the latest published audited consolidated accounts of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.hg-semiconductor.com) from the date of this circular up to and including 14 days (except public holidays):

(i) the Agreements;

(ii) the letter from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;

(iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 52 of this circular;

(iv) the valuation report of Shenzhen Jiahong prepared by the Valuer, the text of which is set out in Appendix I to this circular;

(v) the written consents referred to in paragraph 8 of this appendix; and

(vi) this circular.

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 2:00 p.m. on Thursday, 22 January 2026 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**

   (a) the conditional sale and purchase agreement ("**Agreement A**") (a copy of which is marked "A" and produced to the meeting and initialled by the chairman of the meeting for identification purpose) dated 1 December 2025 and entered into between New Rainbow Developments Limited, Rosyfeild Limited and Wise Spring Global Limited ("**Vendors A**") as vendors and the Company as purchaser in relation to the sale and purchase of all the issued shares in Join Gain HK Limited at a total consideration of HK$73,388,000 to be satisfied by the Company issuing an aggregate of 146,776,000 new ordinary shares of HK$0.01 each in the capital of the Company (the "**Consideration Shares**") to Vendors A (and/or their respective nominee(s)) in the manner as provided therein and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares to Vendors A (and/or their respective nominee(s))) be and are hereby approved;

(b) conditional upon Agreement A proceeding to completion in accordance with the terms and conditions set out therein, the directors (the "**Directors**") of the Company be and are hereby authorised to allot and issue the Consideration Shares to Vendors A (and/or their respective nominee(s)) on the terms and conditions of Agreement A; and

(c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with Agreement A or any of the transactions contemplated thereunder and to make such amendments to Agreement A as the Directors may in their absolute discretion consider not material and necessary, appropriate, desirable or expedient in connection therewith."

2. "**THAT**

(a) the conditional sale and purchase agreement ("**Agreement B**") (a copy of which is marked "B" and produced to the meeting and initialled by the chairman of the meeting for identification purpose) dated 1 December 2025 and entered into between Red Mont Global Limited ("**Vendor B**") as vendor and the Company as purchaser in relation to the sale and purchase of the only issued share in Red Mont HK Limited at a consideration of HK$40,816,000 to be satisfied by the Company issuing an interest bearing promissory note (the "**Promissory Note**") in the same amount to Vendor B (or its nominee) in the manner as provided therein and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Note to Vendor B (or its nominee)) be and are hereby approved;

(b) conditional upon Agreement B proceeding to completion in accordance with the terms and conditions set out therein, the directors (the "**Directors**") of the Company be and are hereby authorised to issue the Promissory Note to Vendor B (or its nominee) on the terms and conditions of Agreement B; and

(c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with Agreement B or any of the transactions contemplated thereunder and to make such amendments to Agreement B and/or the Promissory Note as the Directors may in their absolute discretion consider not material and necessary, appropriate, desirable or expedient in connection therewith."

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

Hong Kong, 7 January 2026

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

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, 22 January 2026. 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 Wednesday, 21 January 2026. Shareholders whose names appear on the register of members of the Company on Wednesday, 21 January 2026 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.