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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)

MAJOR TRANSACTIONS

(1) DEEMED DISPOSAL OF EQUITY INTEREST IN THE TARGET COMPANY
(2) GRANT OF REPURCHASE OPTION

THE CAPITAL INJECTION AGREEMENT

The Board is pleased to announce that on 29 October 2026 (after trading hours), the Target Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises and the Project Company entered into the Capital Injection Agreement with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for US$1,338,125.19 in new registered capital of the Target Company, representing approximately 6.9085% of the enlarged registered capital of the Target Company, by way of Capital Injection in cash for the sum of RMB80 million (or its equivalent in US$) into the Target Company to increase its registered capital and capital reserve.

Upon Completion, the Investor will be interested in approximately 6.9085% of the enlarged equity interest in the Target Company, and the Group's interest in the Target Company (holding through Swift Power, Join Gain and Red Mont) will be diluted from approximately 73.2745% to approximately 68.2125%.

REPURCHASE OPTION

Pursuant to the Capital Injection Agreement, the Target Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises, the Investor and the Project Company will enter into the Shareholders' Agreement at Completion. Under the Shareholders' Agreement, the Repurchase Option will be granted by the Repurchase Obligors to each of the Investor and THJY Investment separately whereby the Investor and THJY Investment shall be entitled to require the Repurchase Obligors to purchase all or part of its equity interest in the Target Company at the Repurchase Price subject to the terms of the Shareholders' Agreement.

LISTING RULES IMPLICATIONS

The Target Company is a non-wholly owned subsidiary of the Company as at the date of this announcement. It is contemplated that the percentage of the Group's equity interest in the Target Company will be reduced from approximately 73.2745% to approximately 68.2125% upon Completion. The Capital Injection, if materialized, will constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection and the transactions contemplated thereunder exceeds 25% but all are less than 75%, the Capital Injection constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

As the exercise of the Repurchase Option is not at the Company's discretion, such right of the Investor and THJY Investment is treated as if it had been exercised upon the execution of the Shareholders' Agreement under Rule 14.74 of the Listing Rules. Since the applicable percentage ratio (as defined under the Listing Rules) in respect of the proposed grant of the Repurchase Option exceed(s) 25% but all are less than 100%, the proposed grant of the Repurchase Option constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene the EGM for the purpose of, among other things, considering, and if thought fit, approving the Capital Injection Agreement, the Shareholders' Agreement and the transactions contemplated thereunder (including the Capital Injection and the Repurchase Option).

A circular containing, *inter alia*, (i) further details of the Capital Injection Agreement and the Shareholders' Agreement; (ii) the financial information of the Company; and (iii) other information as required by the Listing Rules, together with the notice of the EGM, are expected to be dispatched to the Shareholders on or before 26 November 2026.

As the Capital Injection Agreement and the Shareholders' Agreement are subject to the Shareholders' approval, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

THE CAPITAL INJECTION AGREEMENT

On 29 October 2026 (after trading hours), the Target Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises and the Project Company entered into the Capital Injection Agreement with the Investor, pursuant to which the Investor has conditionally agreed to subscribe for US$1,338,125.19 in new registered capital of the Target Company, representing approximately 6.9085% of the enlarged registered capital of the Target Company, by way of Capital Injection in cash for the sum of RMB80 million (or its equivalent in US$) into the Target Company to increase its registered capital and capital reserve.

The principal terms of the Capital Injection Agreement are set out below:

Date

29 October 2026 (after trading hours)

Parties

(1) the Target Company;

(2) Swift Power;

(3) Join Gain;

(4) Red Mont;

(5) the Employee Shareholding Platform;

(6) THJY Investment;

(7) Orchid Enterprises;

(8) the Project Company; and

(9) the Investor.

The Target Company, the Project Company, Swift Power and Join Gain are the Guarantors.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the date of this announcement, the Investor and its ultimate beneficial owners are Independent Third Parties.

Subscription of New Registered Capital

Pursuant to the Capital Injection Agreement, the Investor has conditionally agreed to pay the Total Subscription Price of RMB80 million (or its equivalent in US$), to subscribe for the New Registered Capital of approximately US$1,338,125.19 (approximately RMB8,979,000), representing approximately 6.9085% of the enlarged registered capital of the Target Company upon Completion.

The Total Subscription Price will be contributed as follows:

(i) US$1,338,125.19 (approximately RMB8,979,000) will be contributed towards the registered capital of the Target Company; and

(ii) the balance of the Total Subscription Price will be contributed towards the capital reserve of the Target Company.

Upon Completion, the registered capital of the Target Company will be increased from US$18,031,237.19 (approximately RMB120,990,000) to US$19,369,362.38 (approximately RMB129,969,000).

Basis for determination of the Total Subscription Price

The Total Subscription Price was determined based on arm's length negotiations between the Investor and the Target Company with reference to, among others, (i) the preliminary appraised value of the New Registered Capital of approximately RMB80 million as at 23 October 2026, using the market approach together with the option pricing model in respect of the preferential rights to the Investor, as assessed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer of the Company, details of the valuation will be set out in the circular of the Company to be issued in relation to, among others, the Capital Injection Agreement; (ii) the optimistic business prospect of the Target Group as detailed in the section headed "REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT AND THE SHAREHOLDERS' AGREEMENT" of this announcement; and (iii) the unaudited net asset value of the Target Group of approximately RMB167.26 million as at 30 June 2026.

The Directors are of the view that the terms of the Capital Injection Agreement (including the Total Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Payment terms

Upon the Conditions Precedent having been satisfied or (where applicable) waived, the Total Subscription Price shall be paid by the Investor in two installments in cash to the Target Company as follows:

(i) RMB40 million, representing 50% of the Total Subscription Price, shall be payable within 15 Business Days from the date on which the competent market supervision and administration department has received the documents necessary for processing the registration of changes in relation to the Capital Injection. At the same time, the Target Company shall have in place RMB10 million of self-raised funds; and

(ii) RMB40 million, representing the remaining 50% of the Total Subscription Price, shall be paid within 15 Business Days after the Project Company has completed the relocation of its entire operations, including but not limited to its registered address, all production facilities and equipment and office facilities, or on or before 30 June 2027. At the same time, the Target Company shall have in place a further RMB10 million of self-raised funds.

If the Investor has been registered as a shareholder of the Target Company holding the full equity interest corresponding to the New Registered Capital but fails to pay all or part of the Total Subscription Price in accordance with the Capital Injection Agreement, the Target Company shall have the right to remove the corresponding equity interest relating to the unpaid portion of the Total Subscription Price and reduce its registered capital accordingly. Any director nominated by the Investor shall automatically be suspended from office and the Investor shall cease to enjoy the special shareholder rights obtained pursuant to the Capital Injection.

Use of proceeds

Subject to applicable laws and regulations and to the extent permitted under the Shareholders' Agreement, the proceeds from the Capital Injection and the Target Company's self-raised funds of RMB20 million shall be jointly controlled by the Investor and the Target Company and used solely for (i) the Chizhou Module Packaging Production Line Project; and (ii) such other purposes as approved by the Investor in writing. Without the prior written consent of the Investor, no party shall change the use of the proceeds from the Capital Injection.

Conditions Precedent

Completion is conditional upon the fulfilment of, among other things, the following conditions, unless otherwise agreed to be waived by the Investor in writing (other than those set out in sub-paragraph (c), (d) and (e) below which are not waivable):

(a) the parties to the Capital Injection Agreement have executed and delivered to the Investor all Transaction Documents;

(b) the representations and warranties provided by the Guarantors under the Capital Injection Agreement remain true, accurate, complete and not misleading as of the date of the Capital Injection Agreement and the Completion Date, and the Guarantors have performed all obligations, undertakings and covenants required to be performed on or before the Completion Date;

(c) the Guarantors have procured that the Company has obtained the approvals of the Shareholders (or, where applicable, the independent Shareholders) for the transactions contemplated under the Capital Injection Agreement and the grant of the Repurchase Option in accordance with the relevant requirements of the Listing Rules (if required);

(d) the Guarantors have obtained all approvals, consents and waivers necessary for the transactions contemplated under the Capital Injection Agreement, including the relevant resolutions of the shareholders' meeting and executive director of the Target Company approving the Capital Injection;

(e) the Guarantors have obtained all approvals, consents or waivers (if required) from governmental authorities or third parties for the execution and performance of the transactions contemplated under the Capital Injection Agreement;

(f) there is no event or events with a material adverse effect prior to Completion, and there is no evidence that such event or events that may have a material adverse effect will occur;

(g) the Target Company has issued a notice of payment to the Investor specifying the information of the receiving account;

(h) the Guarantors have delivered to the Investor a letter of satisfaction confirming that all Conditions Precedent have been satisfied;

(i) the Target Company has changed its registered address to Chizhou City, Anhui Province, the PRC, and changed its name to "安徽鎵宏半導體有限公司" (Anhui Jiahong Semiconductor Co., Ltd.*) or such other name as may be approved by the competent registration authority or resolved by the board of directors of the Target Company;

(j) the RMB120 million loan provided by the Target Company to the Project Company has been capitalised all debt-to-equity conversion procedures in accordance with applicable laws; and

(k) the Target Company or the Project Company has provided the Investor with procurement agreements, bank transfer records, equipment acceptance documents and invoices in respect of the purchase of two new MOCVD equipment, involving an amount of RMB29 million.

From the date of the Capital Injection Agreement to the Completion Date, the Guarantors shall use their best efforts to procure the Capital Injection to be completed in accordance with the terms of the Capital Injection Agreement. The Guarantors shall take all necessary steps to fulfil the Conditions Precedent (other than that set out in sub-paragraph (b) above).

If the Investor waive in writing any one or more of the Conditions Precedent which are capable of being waived, unless otherwise specified by the Investor in writing, such waived Condition(s) Precedent shall automatically become post-Completion obligations of the Guarantors. The Guarantors shall fully perform such obligations within 30 days after the Completion Date or such longer period as may be agreed between the Investor and the Target Company.

Completion

The Target Company shall, within 15 Business Days from the earlier of the date on which all the Conditions Precedent have been satisfied or the date on which the Investor waives the Conditions Precedent capable of being waived, submit all change registration and filing documents relating to the Capital Injection to the competent market supervision and administration department and obtain the relevant receipt. Upon Completion, the Target Company and the Project Company will remain as subsidiaries of the Company and the financial results of the Target Group will continue to be consolidated with the Group.

Termination

The Capital Injection Agreement may be terminated at any time prior to Completion under the following circumstances:

(a) if a party fails to perform its obligations under the Capital Injection Agreement or any Transaction Document, or if any of the representations or warranties of such party is untrue or inaccurate, and such breach is not remedied within 30 days after receiving written notice from the non-defaulting party, the non-defaulting party may terminate the Capital Injection Agreement;

(b) if, prior to Completion, (i) any representation or warranty of the Guarantors contained in any Transaction Document is untrue or inaccurate in any material respect; or (ii) the Guarantors fail to comply with any of the covenants or undertakings contained in any Transaction Documents and such failure is not remedied within 30 days after written notice from the Investor, the Investor may terminate the Capital Injection Agreement by serving a written notice to the other parties;

(c) if the Conditions Precedent required to be completed by the Guarantors have been satisfied or (where applicable) waived by the Investor, but the Investor fails to complete payment of the Total Subscription Price within 30 days after the relevant payment deadline, the Target Company shall have the right to terminate the Capital Injection Agreement by serving written notice to the Investor;

(d) if any governmental authority promulgates any law or regulation, or issues any order, decree or ruling, or takes any other legal action, to restrict, prevent or otherwise prohibit the transactions contemplated under the Capital Injection Agreement, or make such transactions illegal or impossible to complete, and such order, decree, ruling or other legal action is final and not subject to review, prosecution or appeal, any party may terminate the Capital Injection Agreement upon serving written notice to the other parties; and

(e) the parties agree to terminate the Capital Injection Agreement by mutual agreement in writing.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

Set out below is the shareholding structure of the Target Company immediately before and after the Completion:

	Immediately before Completion		**Immediately after Completion**	
Shareholders	**Amount of registered capital** *(US$)*	**Approximate equity interest in the Target Company** *(%)*	**Amount of registered capital** *(US$)*	**Approximate equity interest in the Target Company** *(%)*
Swift Power	10,872,267.32	60.2968	10,872,267.32	56.1313
Employee Shareholding Platform	3,514,251.33	19.4898	3,514,251.33	18.1434
Join Gain	1,503,718.20	8.3395	1,503,718.20	7.7634
Red Mont	836,328.26	4.6382	836,328.26	4.3178
THJY Investment	919,961.08	5.1020	919,961.08	4.7496
Orchid Enterprises	384,711.00	2.1336	384,711.00	1.9862
The Investor	—	—	1,338,125.19	6.9085
Total	18,031,237.19	100.00	19,369,362.38	100.00

THE SHAREHOLDERS' AGREEMENT

Pursuant to the Capital Injection Agreement, the Target Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises, the Investor and the Project Company will enter into the Shareholders' Agreement at Completion. The Shareholders' Agreement sets out, among others, the rights and obligations of the shareholders of the Target Company and the governance structure of the Target Company.

Board Composition

The Target Board shall consist of four directors. Two directors shall be nominated by Swift Power, one director shall be elected by the shareholders' meeting of the Target Company and one director shall be nominated by the Investor.

Swift Power shall have the right to increase the number of directors nominated by it from two to four. Upon such increase, the Target Board shall consist of six directors, comprising four directors nominated by Swift Power, one director elected by the shareholders' meeting of the Target Company and one director nominated by the Investor. If the size of the Target Board is further increased, Swift Power shall be entitled to nominate such additional number of directors as to ensure that the number of directors nominated by Swift Power represents more than one-half of all directors of the Target Board.

Special Rights of the Investor and THJY Investment

Most Favorable Treatment

The Guarantors undertake that, if any other shareholder of the Target Company is entitled to any rights more favourable than, or any additional preferential rights to, those of the Investor and THJY Investment pursuant to any document or arrangement, whether oral or written, the Investor and THJY Investment shall automatically be entitled to the same preferential rights, except for the different treatment expressly agreed in the Shareholders' Agreement and the transaction documents.

Restrictions on Equity Transfer

Pursuant to the Shareholders' Agreement, without the prior written consent of the Guarantors, the Investor and THJY Investment shall not directly or indirectly transfer all or part of the equity interest in the Target Company directly or indirectly held by them in any form to the competitors of the Target Group. Any transfer of equity interest in violation of the aforesaid restriction shall be null and void, and the transferee shall not enjoy its rights as a shareholder of the Target Company, nor shall the Target Company regard it as a shareholder.

Save for the aforesaid restriction, the Investor and THJY Investment may transfer all or part of their equity interest in the Target Company without any other restriction. The Target Company and the other shareholders of the Target Company have agreed to give all consent or waiver necessary under applicable laws for such transfer, including the waiver of any right of first refusal, and shall take all necessary actions to complete such transfer.

Right of First Refusal

During the period from the date of the Shareholders' Agreement to the date prior to the Target Company completing a Qualified Listing, if any Restricted Shareholder proposes to transfer its equity interest in the Target Company to any entity, the Investor and THJY Investment shall have the first right to acquire such equity interest at the same price and on the same terms and conditions.

The Investor and THJY Investment, may, at their discretion, allocate their right of first refusal between themselves and their respective affiliates.

Co-sale Right

During the period from the date of the Shareholders' Agreement to the date prior to the Target Company completing a Qualified Listing, after the Investor and THJY Investment, receive the notice of intention to transfer from a Restricted Shareholder and choose not to exercise, or do not fully exercise, the right of first refusal, the Investor and THJY Investment shall have the right (but not the obligation) to require the proposed transferee to purchase a corresponding amount of equity interests in the Target Company held by them at the same time as the proposed transfer by the Restricted Shareholder and at the same price, terms and conditions specified in the notice of intention to transfer.

Exceptions

The abovementioned restrictions on equity transfer, right of first refusal and co-sale right shall not apply to the following transfers of equity interests: (i) the equity interests granted directly or indirectly pursuant to the employee share incentive scheme of the Target Company; (ii) transfers by a Restricted Shareholder of all or part of its equity interests in the Target Company to an entity 100% controlled by that shareholder; (iii) transfers of equity interests in the Target Company by Swift Power to Join Gain, provided that there is no change in the control of the Target Company; and (iv) sales, transfers, or other dispositions by Swift Power and/or its shareholders or partners of all or part of their respective equity interests in the Target Company for the purpose of fulfilling indemnification or equity repurchase obligations under the Transaction Documents, at the then-prevailing fair market value.

Pre-emptive Right

During the period from the date of the Shareholders' Agreement to the date prior to the Target Company completing a Qualified Listing, if the Target Company increases its registered capital, issues new shares, or carries out subsequent financing in the future, the Investor and THJY Investment shall have the right (but not the obligation) to subscribe for the new registered capital or new shares of the Target Company in proportion to their respective capital contribution to the Target Company at the same price and on the same terms and conditions in priority to any remaining shareholders and third parties. The Investor and THJY Investment may, in their sole discretion, allocate the preemptive right between themselves and its respective affiliates.

Anti-dilution

If the Target Company increases its registered capital or issues new shares or securities convertible into, or exercisable as equity at the unit price per US$1.00 of registered capital or the unit price per share being lower than the unit price per US$1.00 of registered capital or the unit price per share paid by the Investor and THJY Investment through their respective investments in the Target Company, other than as a result of exchange rate fluctuations, the Investor and THJY Investment shall have the right (but not the obligation) to prevent dilution of their shareholding on a broad-based weighted average basis.

The applicable unit price paid by the Investor and THJY Investment is RMB59.7851 per US$1.00 of registered capital. If the Investor and THJY Investment elect to exercise their anti-dilution right, the Guarantors shall, at the election of the Investor and THJY Investment, procure the implementation of the anti-dilution adjustment by way of: (i) issue by the Target Company of the corresponding amount of additional equity interests to the Investor and THJY Investment at the lowest price permitted by applicable laws; (ii) transfer by the Guarantors other than the Target Company of part of their equity interest in the Target Company to the Investor and THJY Investment at the lowest price permitted by applicable laws; (iii) cash compensation by the Guarantors; or (iv) a combination of the foregoing methods or such other method as approved by the Investor and THJY Investment.

Repurchase Option

Circumstances for exercising the Repurchase Option

In any of the following circumstances, the Investor and THJY Investment shall have the right to send a written notice (the "**Repurchase Notice**") to Swift Power, Join Gain and any other party designated by the Target Company with the consent of the Investor and THJY Investment (collectively, the "**Repurchase Obligors**") to request the Repurchase Obligors to jointly and severally purchase all or part of the equity interest in the Target Company held by the Investor and THJY Investment (the "**Repurchase Equity Interest**"):

1. the Target Company fails to complete the raising of RMB20 million as capital contribution by 31 December 2027;

2. the Target Company or the Project Company fails to submit the application for a Qualified Listing by 31 December 2031;

3. the Target Company or the Project Company fails to obtain approval for the Qualified Listing by 30 June 2032;

4. the Target Company or the Project Company fails to obtain the approval document for window guidance from the National Development and Reform Commission by 31 December 2030, save where the relevant window guidance policy is cancelled;

5. the Target Company or the Project Company is subject to administrative penalties for breach of applicable laws and regulations, or is subject to criminal investigation, investigation or criminal penalties, which has a material adverse effect on the normal operation of the Target Company;

6. the documents and materials provided by the Target Company in relation to the Conditions Precedent to Completion, or other undertakings made by, among others, the Target Company, are untrue;

7. more than one-half of the key employees for any reason cease to (a) be employed by the Target Company, (b) provide full-time services to the Target Company, or (c) directly or indirectly hold equity interest in the Target Company, and the Target Company fails to replace personnel with equivalent capability for the same positions within three months;

8. the Target Company fails to complete a Qualified Listing as scheduled due to reasons attributable to the Target Company or Swift Power, including failure to use best endeavours to facilitate the listing plan, material breach of representations, warranties or undertakings, fraud or integrity issues, criminal investigation, or change of control of the Target Company;

9. the Target Company breaches certain specified undertakings under the Shareholders' Agreement; and

10. the Target Company, Swift Power, Join Gain or any other entity performs any repurchase obligation in respect of the equity interest in the Target Company held by any of the Investor, THJY Investment and the other shareholders.

The Repurchase Obligors shall be obliged to purchase and accept the Repurchase Equity Interest from the Investor and THJY Investment within three months after receiving the Repurchase Notice and take necessary actions to complete the repurchase, including but not limited to paying the repurchase price in full and completing all legal procedures such as change registration, filing and approval required for the equity repurchase within such period.

Repurchase Price

Upon the occurrence of any of the repurchase events and the exercise of the Repurchase Option by the Investor and THJY Investment, SPL, Join Gain and such other party(ies) designated by the Target Company with the consent of the Investor and THJY Investment shall jointly and severally purchase all or part of the equity interest in the Target Company held by the Investor and THJY Investment at the repurchase price.

The Repurchase Price in respect of the equity interest held by the Investor or THJY Investment (as the case may be) shall be calculated in accordance with the following formula:

$$P = M \times (1 + a \times T) - D$$

where:

"P" represents the Repurchase Price for all of the equity interest in the Target Company held by the Investor or THJY Investment (as the case may be) which is subject to the repurchase;

"M" represents the actual investment amount contributed by the Investor or THJY Investment (as the case may be) to the Target Company;

"a" represents a simple annual return rate of 6%;

"T" represents the number of days from the date on which the actual investment amount contributed by the Investor or THJY Investment (as the case may be) is received by the Target Company to the date on which the Investor or THJY Investment (as the case may be) exercise the Repurchase Option, divided by 365; and

"D" represents the aggregate amount of dividends received by the Investor or THJY Investment (as the case may be) from the Target Company.

The Repurchase Obligors shall complete the repurchase and pay the Repurchase Price in full within three months after receipt of the relevant Repurchase Notice. The Shareholders' Agreement further provides that the parties shall take all reasonable measures and complete the relevant repurchase within 120 days after the relevant Investor issues the Repurchase Notice, including the execution of necessary documents and the completion of the applicable approval, filing and registration procedures.

For the avoidance of doubt, the relevant Investor may exercise the Repurchase Option in respect of all or part of its equity interest in the Target Company at any time within two years after the occurrence of the relevant repurchase event. The exercise of the Repurchase Option against any one or more Repurchase Obligors shall not prejudice its right to exercise the Repurchase Option against any other Repurchase Obligor. The Target Company shall provide a joint and several guarantee for the payment obligations of the Repurchase Obligors in respect of the Repurchase Price.

Information and Inspection Rights

For so long as either the Investor or THJY Investment holds not less than 5% equity interest in the Target Company, the Investor and THJY Investment shall have the right to receive, among others, the consolidated semi-annual financial reports of the Target Group, annual audited consolidated financial reports, the annual budget and business plan, and information in relation to any matter which may have a material adverse effect on the business, operation, financial condition or development prospects of the Target Group.

The Investor shall also have the right, upon reasonable prior written notice and during normal business hours, to inspect the facilities and accounting books of the Target Group and to review and copy the constitutional documents, board meeting records and financial reports of the Target Group, subject to applicable laws and the Shareholders' Agreement.

Priority on Liquidation

Upon liquidation of the Target Company or the occurrence of a Deemed Liquidation Event, including a transaction resulting in a change of control of the Target Company, the sale, transfer or other disposal of all or substantially all of the assets of the Target Group, or the transfer or exclusive or sole licence of all or substantially all of the intellectual property rights of the Target Group to a third party, the Investor and THJY Investment shall have the right to receive payment in priority to the other shareholders of the Target Company.

The amount payable to each of the Investor and THJY Investment in priority shall be equal to its investment amount corresponding to its then equity interest in the Target Company, plus a minimum return calculated at the simple rate of 6% per annum from the date of payment of the relevant capital contribution to the date on which the Investor or THJY Investment (as the case may be) receives the liquidation priority amount, plus declared but unpaid dividends approved by the shareholders' meeting of the Target Company, less dividends already received by the Investor or THJY Investment (as the case may be).

The Company would comply with the relevant requirements under Chapter 14 and/or Chapter 14A of the Listing Rules in the event of the exercise of any right under the right of first refusal, the pre-emptive right, the anti-dilution right and the put option mentioned above, where required.

INFORMATION OF THE TARGET COMPANY AND THE PROJECT COMPANY

The Target Company 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 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 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. 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 IDM and maintain complete control over the entire chipmaking 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 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. These new pieces of equipment have enabled the development of the Xuzhou Factory's 8-inch epitaxial wafer production line, achieving a monthly capacity of 2,000 units of 8-inch epitaxial wafer.

Set out below is a summary of the financial information in the unaudited consolidated accounts of the Target Group for the two financial years ended 31 December 2025 and for the six months ended 30 June 2026:

	For the year ended 31 December 2024 *(RMB'000)* Approximate (unaudited)	**For the year ended 31 December 2025** *(RMB'000)* Approximate (unaudited)	**For the six months ended 30 June 2026** *(RMB'000)* Approximate (unaudited)
Revenue	1,360	29,592	5,659
Loss before taxation	(36,065)	(53,307)	(21,812)
Loss after taxation	(36,065)	(53,307)	(21,812)

As at 30 June 2026, the unaudited consolidated net assets of the Target Group was approximately RMB167.26 million.

Since incorporation of the Project Company, the Group has been seeking strategic partners to invest in the Target 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 Target Group.

Pursuant to the Capital Injection Agreement, the Project Company is required to complete the relocation of its entire operations, including but not limited to its registered address, production facilities and equipment and office facilities, on or before 30 June 2027.

As at the date of the Capital Injection Agreement, the Target Company is owned by Swift Power, the Employee Shareholding Platform, Join Gain, Red Mont, THJY Investment and Orchid Enterprises as to approximately 60.2968%, 19.4898%, 8.3395%, 4.6382%, 5.1020% and 2.1336%, respectively. Upon Completion, the Target Company will be owned by Swift Power, the Employee Shareholding Platform, Join Gain, Red Mont, THJY Investment, Orchid Enterprises and the Investor as to approximately 56.1313%, 18.1434%, 7.7634%, 4.3178%, 4.7496%, 1.9862% and 6.9085%, respectively.

INFORMATION OF THE SHAREHOLDERS OF THE TARGET COMPANY

Swift Power

Swift Power is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company and is an investment holding company. The major assets of Swift Power is its 60.296846% equity interest in the Target Company.

Join Gain

Join Gain is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company and is an investment holding company. The major assets of Join Gain is its 8.339518% equity interest in the Target Company.

Red Mont

Red Mont is a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company and is an investment holding company. The major assets of Red Mont is its 4.638218% equity interest in the Target Company.

Employee Shareholding Platform

The Employee Shareholding Platform is a limited partnership established in the PRC for the employee share incentive scheme of the Target Group established for providing certain employees of the Group with opportunities to indirectly invest in the Target Company. The Employee Shareholding Platform is holding 19.489796% equity interest in the Target Company.

THJY Investment

THJY Investment is a limited partnership established in the PRC and is holding 5.102041% equity interest in the Target Company.

Orchid Enterprises

Orchid Enterprises is a company incorporated in Hong Kong with limited liability, which is wholly owned by Ms. Ren Tian and is an investment holding company. The major assets of Orchid Enterprises is its 2.133581% equity interest in the Target Company.

INFORMATION OF THE INVESTOR

The Investor is Chizhou Hengchuang Linghang Venture Capital Fund Partnership (Limited Partnership)* (池州恆創領航創業投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC with its registered address in Chizhou City, Anhui Province, the PRC, which is owned as to 49.98%, 49.8%, 0.2% and 0.02% by Anhui Pingtian Lake Investment Holding Group Co., Ltd.* (安徽平天湖投資控股集團有限公司), Chizhou Emerging Industry Investment Group Co., Ltd.* (池州新興產業投資集團有限公司), Chizhou Industrial Development Fund Co., Ltd.* (池州市產業發展基金有限公司) and Chizhou Jiuhua Hengchuang Private Equity Fund Management Co., Ltd.* (池州市九華恒創私募基金管理有限公司) respectively, and each of them is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Chizhou Municipal Government* (池州市政府國有資產監督管理委員會).

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INJECTION AGREEMENT AND THE SHAREHOLDERS' AGREEMENT

The Company is an exempt company incorporated in the Cayman Islands. The Group is principally engaged in the design, development, manufacturing 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 the Target Group recorded revenue of approximately RMB29.6 million for the year ended 31 December 2025 demonstrating an upward trend of revenue growth as compared to revenue of approximately RMB1.36 million recorded for the year ended 31 December 2024.

The Group will continue to make increased efforts to develop the third-generation semiconductor GaN industry chain in order to accelerate the pace of R&D, and to expand the applications of GaN-related products. The Capital Injection represents an opportunity for the Group to introduce additional capital for the development of the Target Group and to support the Chizhou Module Packaging Production Line Project.

The Group has been actively seeking cooperation and investments from strategic partners and upgrade its industrial chain while upholding the principle of achieving synergy in the use of resources and win-win cooperation. The Group aims to continue to strengthen its R&D capabilities and bring in outstanding experts and talents in the field of semiconductor to enhance its production and R&D, striving to become an IDM enterprise integrating R&D, manufacturing, packaging and package testing, and sales in the whole GaN industry chain.

In the semiconductor industry, according to the 2025 Factbook released by the Semiconductor Industry Association, China is the largest single country market in the world, and its market demand has shown good growth momentum in various segments, including technological innovation, power devices, automotive electronics, artificial intelligence, and the Internet of Things. Favorable government policies and industrial development strategies have also provided good development opportunities for China's semiconductor industry, especially in the fields of new energy and new energy vehicle electronics. China's new energy investment has grown rapidly, along with leading position in photovoltaic, wind power generation, energy storage, batteries, and other industries globally. China's new energy vehicle market is experiencing rapid development, and the market demand for related automotive intelligent driving chips and power chips is growing quickly.

According to the Autumn 2025 Semiconductor Market Forecast Update released by the World Semiconductor Trade Statistics (WSTS) organisation, the global semiconductor market is expected to grow by more than 25 percent, reaching US$975 billion. Growth is expected across all regions and

product categories. Memory and Logic are again projected to lead, both increasing by over 30 percent year over year, supported by demand for data center infrastructure and the emergence of initial AI edge applications.

As a key member of the third-generation of semiconductors, GaN can operate at high frequencies and maintain high performance and efficiency with lower loss than previously used silicon transistors. As the development of the third generation semiconductor enters into a booming period, the demand for third-generation semiconductor materials in different fields is surging, semiconductor products are becoming more diversified and the speed of iteration and innovation continues to accelerate.

Benefiting from the huge market demand in consumer electronics, new energy and new-energy vehicles, coupled with the general trend of industrial upgrading and process substitution, as well as the strong demand for GaN power products in the market, the GaN power market has become the fastest growing segment of the third-generation semiconductor industry in terms of output value. Among these products, new-energy vehicles represent the main growth driver, with brands in China accounting for more than 80% of PRC's electric vehicle market and increasingly expanding their exports. This trend offers huge business opportunities across the whole supply chain and has spurred PRC electric vehicle manufacturers to accelerate the development of third-generation semiconductor devices in the automotive field. With national policy support and solid market demand, the further development of GaN power products is expected to be rapid.

Therefore, the Capital Injection by the Investor represents a valuable opportunity for the Group to raise fund in the prevailing difficult market conditions for augmenting the Group's production capacity to meet the growing customer demand and enhancing the Group's R&D capabilities for the development of next-generation products. The capital investment in the Target Group through the Capital Injection will be allocated towards the investment in GaN chip projects to foster business growth. The proceeds from the Capital Injection, together with the Group's self-financed funds of RMB20 million, will be applied to (i) the Chizhou Module Packaging Production Line Project ; and (ii) such other purposes as approved by the Investor in writing.

Chizhou City, Anhui Province, the PRC, actively positions itself as a specialized manufacturing and packaging hub within the Yangtze River Delta semiconductor grid, offering direct access to specialized local suppliers and downstream partners. The local government of Chizhou City also actively provides subsidies and financial incentives to support its local semiconductor industry. The proposed relocation of the Group's module packaging production plant from the Xuzhou Factory to Chizhou City is a strategic operational arrangement. Chizhou City has formed a well-established semiconductor industrial cluster focused on power and third-generation semiconductors, with complete upstream and downstream supporting resources, favourable industrial policies and competitive factor costs. The Chizhou Module Packaging Production Line Project will facilitate the Group's capacity expansion for GaN products, shorten supply chain lead time, improve proximity to key downstream customers in the Yangtze River Delta, and optimise the Group's cost structure and long-term gross margin profile.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement and the Shareholders' Agreement are arrived at after arm's length negotiation between the Group and the relevant parties and reflect normal commercial terms, which are fair and reasonable and the transactions contemplated thereunder (including the Capital Injection and the grant of the Repurchase Option) are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE CAPITAL INJECTION

As the Capital Injection will not result in the Company's loss of control over the Target Group, the Capital Injection would be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

LISTING RULES IMPLICATIONS

The Target Company is a non-wholly owned subsidiary of the Company as at the date of this announcement. It is contemplated that the percentage of the Group's equity interest in the Target Company will reduce from approximately 73.2745% to approximately 68.2125% upon Completion. The Capital Injection, if materialized, will constitute a deemed disposal by the Company under Rule 14.29 of the Listing Rules.

Since one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Injection and the transactions contemplated thereunder (taking into account the Repurchase Option) exceeds 25% but all are less than 75%, the Capital Injection constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules. As the exercise of the Repurchase Option is not at the Company's discretion, such right of the Investor and THJY Investment is treated as if it had been exercised upon the execution of the Shareholders' Agreement under Rule 14.74 of the Listing Rules.

Since the applicable percentage ratio (as defined under the Listing Rules) in respect of the grant of the Repurchase Option exceed(s) 25% but all are less than 100%, the grant of the Repurchase Option constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

GENERAL

The Company will convene the EGM for the purpose of, among other things, considering, and if thought fit, approving the Capital Injection Agreement, the Shareholders' Agreement and the transactions contemplated thereunder (including the Capital Injection and the grant of the Repurchase Option).

A circular containing, *inter alia*, (i) further details of the Capital Injection Agreement and the Shareholders' Agreement; (ii) the financial information of the Company; and (iii) other information as required by the Listing Rules, together with the notice of the EGM, are expected to be dispatched to the Shareholders on or before 26 November 2026.

As the Capital Injection Agreement and the Shareholders' Agreement are subject to the Shareholders' approval, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

"Board"	the board of Directors
"Business Day"	a calendar day (other than a Saturday, Sunday or a statutory holiday in the PRC)
"Capital Injection"	the injection by the Investor of new capital to the Target Company pursuant to the Capital Injection Agreement at the Total Subscription Price
"Capital Injection Agreement"	the capital injection agreement dated 29 October 2026 entered into between the Target Company, the Project Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises and the Investor
"Chizhou Module Packaging Production Line Project"	the Target Company's relocation and construction and operation of the Chizhou module packaging production line project referred to in the Capital Injection Agreement
"Company"	HG Semiconductor Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 6908)
"Completion"	completion of the Capital Injection in accordance with the terms and conditions of the Capital Injection Agreement
"Completion Date"	the date of Completion
"Condition(s) Precedent"	the conditions precedent to Completion as set out in the Capital Injection Agreement
"Director(s)"	the director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among other things, the Capital Injection Agreement and the Shareholders' Agreement and the transactions contemplated thereunder
"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 Target Group established for providing certain employees of the Group with opportunities to indirectly invest in the Target Company
"GaN"	the third-generation gallium nitride
"Group"	the Company and its subsidiaries
"Guarantors"	the Target Company, the Project Company, Swift Power and Join Gain, being the guarantors under the Capital Injection Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IDM"	Integrated Device Manufacturer
"Independent Third Party(ies)"	party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
"Investor"	Chizhou Hengchuang Linghang Venture Capital Fund Partnership (Limited Partnership)* (池州恒創領航創業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
"Join Gain"	Join Gain HK Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOCVD"	metal-organic chemical vapor deposition
"New Registered Capital"	the new registered capital of the Target Company in the amount of approximately US$1,338,125.19
"Orchid Enterprises"	Orchid Enterprises Limited, a company incorporated in Hong Kong with limited liability, which is wholly owned by Ms. Ren Tian

"PECVD"	plasma-enhanced chemical vapor deposition
"PRC"	the People's Republic of China, which for the sole purpose of this announcement 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 the Target Company
"Qualified Listing"	the Target Company (or any other listed entity, following a restructuring, that encompasses the Target Company's business and assets) obtaining approval or completing a filing with the Shanghai Stock Exchange, the Shenzhen Stock Exchange, or any other domestic or overseas securities regulatory or approval authority (as duly authorized by the Target Company's shareholders' meeting), and subsequently completing an initial public offering and listing of its shares on a securities exchange (as duly authorized by the Target Company's shareholders' meeting), with being quoted on the NEEQ (National Equities Exchange and Quotations, or "New Third Board") not constituting such a qualified listing
"R&D"	research and development
"Red Mont"	Red Mont HK Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
"Repurchase Equity Interest"	has the meaning ascribed to it in the section headed "THE SHAREHOLDERS' AGREEMENT — Special Rights of the Investor and THJY Investment — Repurchase Option" in this announcement
"Repurchase Notice"	has the meaning ascribed to it in the section headed "THE SHAREHOLDERS' AGREEMENT — Special Rights of the Investor and THJY Investment — Repurchase Option" in this announcement
"Repurchase Option"	has the meaning ascribed to it in the section headed "THE SHAREHOLDERS' AGREEMENT — Special Rights of the Investor and THJY Investment" in this announcement
"Repurchase Obligor(s)"	has the meaning ascribed to it in the section headed "THE SHAREHOLDERS' AGREEMENT — Special Rights of the Investor and THJY Investment" in this announcement

"Repurchase Price"	the price to be determined by the formulae under the section headed "THE SHAREHOLDERS' AGREEMENT — Special Rights of the Investor and THJY Investment — Repurchase Price" in this announcement
"Restricted Shareholder(s)"	any shareholders of the Target Company other than the Investor and THJY Investment
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the shareholder(s) of the Company
"Shareholders' Agreement"	the shareholders' agreement to be entered into between the Target Company, the Project Company, Swift Power, Join Gain, Red Mont, the Employee Shareholding Platform, THJY Investment, Orchid Enterprises and the Investor at Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Swift Power"	Swift Power Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company
"Target Board"	the board of directors of the Target Company
"Target Company"	Shenzhen Jiahong Semiconductor Company Limited* (深圳鎵宏半導體有限公司), a company incorporated in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
"Target Group"	the Target Company and the Project Company
"THJY Investment"	台州匯融嘉能友創股權投資合夥企業(有限合夥) (Taizhou Huirong Jianeng Youchuang Investment Management Partnership (Limited Partnership)*), a limited partnership established in the PRC
"Total Subscription Price"	the total amount payable by the Investor for the subscription of the New Registered Capital, being RMB80 million (or its equivalent in US$)

"Transaction Documents"	the Capital Injection Agreement, the Shareholders' Agreement, the new articles of association of the Target Company and other legal documents stipulated in the Capital Injection Agreement or the Shareholders' Agreement in relation to the Capital Injection as executed or previously approved by the Investor
"US$"	US dollar, the lawful currency of the United States
"Xuzhou Factory"	the factory located at the Xuzhou Economic and Technological Development Zone which comprises 7,000 square metres ultra clean chambers and 850 square metres office area
"%"	per cent.

For illustration purpose, amounts in US$ in this announcement have been translated into RMB at the rate of US$1 = RMB6.71. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in US$, RMB or HK$ have been, could have been or may be converted at such or any other rate or at all.

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

Hong Kong, 29 October 2026

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

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

* *For illustration purposes only*