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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)

VOLUNTARY ANNOUNCEMENT

(I) PROPOSED ADOPTION OF 2023 SHARE AWARD SCHEME AND

(II) MEMORANDUM OF UNDERSTANDING TO LOAN SETTLEMENT

This announcement is made by HG Semiconductor Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to keep shareholders and potential investors of the Company informed of the latest business development of the Group.

(I) PROPOSED ADOPTION OF 2023 SHARE AWARD SCHEME

The board (the “**Board**”) of directors (the “**Directors**”) of the Company proposes to adopt a new share award scheme (the “**2023 Share Award Scheme**”) in compliance with Chapter 17 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)

The purpose of the 2023 Share Award Scheme is to enable the Company to provide incentives to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries. The 2023 Share Award Scheme, if adopted, will replace any other share award scheme including the employee stock ownership plan to the staff of the Group as announced by the Company on 7 June 2022.

The Company will convene a general meeting for the purposes of, among other things, seeking the approval from the shareholders of the Company (the “**Shareholders**”) for the adoption of the 2023 Share Award Scheme. The 2023 Share Award Scheme shall come into effect on the date on which the following conditions are fulfilled: (i) the Shareholders’ approval at the general meeting; and (ii) the approval of the Stock Exchange for the listing of, and permission to deal in, the Shares (representing the initial Scheme Mandate Limit) to be allotted and issued in accordance with the terms and conditions of the 2023 Share Award Scheme.

A circular containing, among other things, the notice of the general meeting and details of the proposed adoption of the Share Award Scheme will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

(II) MEMORANDUM OF UNDERSTANDING TO LOAN SETTLEMENT

The Board wishes to announce that on 23 May 2023, the Company, FastPower Holding Limited and Swift Power Limited (the “**Borrowers**”) entered into a memorandum of understanding with Jovial Star International Limited (the “**Lender**”) (the “**MOU**”) in relation to the proposal to settle outstanding loan.

Background

The Company entered into a loan agreement with the Lender on 26 December 2022, pursuant to which the Lender granted a loan in the principal amount of RMB64,000,000 (equivalent to approximately of HK\$72,870,446.45) and HK\$25,420,000 to the Company at an interest rate of 12% per annum which was due on 30 April 2023 (the “**Loan Agreement**”). The Lender subsequently issued a statutory demand in the Cayman Islands on 3 May 2023 to the Company, which the Company have 21 days to either settle the debt, or to make arrangement for the debt with the Lender.

The memorandum of understanding

On 23 May 2023, the Borrowers entered into a memorandum of understanding with the Lender in relation to the proposal to settle outstanding loan. Save as the Loan Agreement, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Lender and its ultimate beneficial owners, are third parties independent of and not connected with the Company and its connected persons.

Under the MOU, the loan comprise of loan in principal amount of RMB64,000,000 (equivalent to approximately of HK\$72,870,446.45) and loan in principal amount of HK\$25,420,000, which aggregated to total principal amount of HK\$98,290,446.45 (the “**Principal**”). As at 2 May 2023, outstanding interest on the Principal was HK\$4,731,072.19 (the “**Interest**”) and the default interest on the Principal as at 20 May 2023 was HK\$1,163,328.02 (the final amount to be calculated up to the date of the formal agreement) (the “**Default Interest**”).

As at 20 May 2023, the aggregate amount of the Principal, the Interest and the Default Interest was HK\$104,184,846.66 (the final amount to be calculated up to the date of the formal agreement) (the “**Outstanding Amount**”). The MOU was negotiated on an arm’s length basis among the Borrowers and the Lender and the terms of the MOU are summarised as follows:

1. 75% of the Outstanding Amount, approximately HK\$78,130,000, shall be settled by issuing shares of the Company. The issue price will be determined by reference to share price of the Company on the date of signing the MOU. The new shares of the Company will be allotted and issued pursuant to the general mandate or specific mandate and the Company will apply to the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, and permission to deal in the new shares of the Company. The number of new shares to be issued is expected to be approximately 90 million to 100 million, representing approximately 15.47% to 17.19% of the total number of issued shares of the Company (the “**Loan Capitalisation**”).
2. 25% of the Outstanding Amount, approximately HK\$26,050,000, shall be settled by the Borrowers by transferring the equity interest of Xuzhou Jinshajiang Semiconductor Company Limited* (徐州金沙江半導體有限公司) held by Swift Power Limited, a wholly-owned subsidiary of the Company, or the equity interest of Swift Power Limited, and the transfer price of the equity interest will be calculated based on the net assets value of the relevant company(ies) as at 31 March 2023 (the “**Share Transfer**”). This offsetting arrangement is subject to the Share Transfer will not affect the consolidation of Xuzhou Jinshajiang Semiconductor Company Limited’s financial results into the Company’s consolidated financial statements.
3. The terms contained in the MOU are the intentions of the Borrowers and the Lender, and the actual terms of settlement of the Outstanding Amount shall be subject to the execution of a legally binding agreement among the Borrowers and the Lender.
4. The Lender agrees to suspend the proceedings to recover the Outstanding Amount until the above-mentioned Loan Capitalisation and the Share Transfer is completed. If the Loan Capitalisation and the Share Transfer is not completed for any reason, the Lender reserves all legal rights of recovery.
5. The Borrowers and the Lender agree to enter into a formal agreement within 14 days of the signing date of the MOU, otherwise the MOU will be terminated and lapsed.

The Board wishes to emphasize that no binding agreement in relation to the settlement of the Outstanding Amount has been entered into as at the date of this announcement. Shareholders and investors are advised to exercise caution when dealing in the securities of the Company. Further announcement in respect of the settlement of the Outstanding Amount will be made by the Company as and when appropriate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

By order of the Board
HG Semiconductor Limited
Zhao Yi Wen
Chairman and Executive Director

Hong Kong, 23 May 2023

As at the date of this announcement, the Executive Directors are Mr. Zhao Yi Wen, Dr. Xu Zhihong, Dr. Cao Yu, Mr. Lyu Xiangrong, Mr. Leung Kin Pang and Dr. Chen Zhen; the Non-executive Director is Dr. Wang David Nin-kou; and the Independent Non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S., Mr. Chan Chung Kik, Lewis and Mr. Li Yang.

* *For identification purpose only*