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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)

ISSUE OF NEW SHARES AND UNLISTED WARRANTS UNDER SPECIFIC MANDATES

Reference is made to the announcement of the Company dated 5 August 2022. The Company and the Investor entered into the Investment Agreement on 4 August 2022 in relation to the (i) possible issue of new Shares under specific mandate; and (ii) possible issue of unlisted warrants under specific mandate, pursuant to which the Company has agreed to allot and issue, and the Investor has agreed to subscribe for, 60,000,000 Subscription Shares and 60,000,000 Warrants. The Company and the Investor have agreed that the Investor will conduct the DD Investigations within 45 days commencing on the date of the Investment Agreement. If the results of the DD Investigations is to the satisfaction of the Investor, the Investor (through his designated beneficially owned entity, the Subscriber) will participate in the Shares Subscription and the Warrants Subscription.

Reference is also made to the announcement of the Company dated 26 September 2022. The Board announced that the DD Investigations has been completed in accordance with the Investment Agreement and the Subscriber is reasonably satisfied with the results thereof, accordingly, on 29 September 2022 (after trading hours):

- (i) the Company entered into the Share Subscription Agreement with the Subscriber, pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for, the Subscription Shares at the Shares Subscription Price of HK\$3.00 per Subscription Share; and
- (ii) the Company also entered into the Warrant Subscription Agreement with the Subscriber, pursuant to which the Company agreed to issue to the Subscriber the Warrants conferring the rights to subscribe for up to initially 60,000,000 Warrant Shares at the Warrants Exercise Price of HK\$3.68 per Warrant Share.

ISSUE OF NEW SHARES UNDER SHARES SPECIFIC MANDATE

As at the date of this announcement, the Company has 573,019,000 Shares in issue. The 60,000,000 Subscription Shares represent:

- (i) approximately 10.47% of the existing issued share capital of the Company as at the date of this announcement;
- (ii) approximately 9.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the share capital of the Company from the date of the Share Subscription Agreement to the Shares Completion Date, save for the allotment and issue of the Subscription Shares); and
- (iii) approximately 8.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming there will be no change in the share capital of the Company from the date of the Share Subscription Agreement to the Shares Completion Date and the Warrants Completion Date, save for the allotment and issue of the Subscription Shares and the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants).

The gross proceeds from the Shares Subscription will be HK\$180 million and the net proceeds from the Shares Subscription (after deduction of relevant costs and expenses) is estimated to be approximately HK\$180 million. The net price per Subscription Share upon the completion of the Shares Subscription is estimated to be approximately HK\$3.00 per Subscription Share.

The Subscription Shares will be allotted and issued under the Shares Specific Mandate to be sought from the Shareholders at the EGM.

ISSUE OF UNLISTED WARRANTS UNDER WARRANTS SPECIFIC MANDATE

Assuming full exercise of the subscription rights attaching to the Warrants, the 60,000,000 Warrant Shares represent:

- (i) approximately 10.47% of the existing issued share capital of the Company as at the date of this announcement;
- (ii) approximately 9.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares (assuming there is no other change in the share capital of the Company from the date of the Warrant Subscription Agreement to the Warrants Completion Date, save for the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants); and

(iii) approximately 8.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming there will be no change in the share capital of the Company from the date of the Warrant Subscription Agreement to the Shares Completion Date and the Warrants Completion Date, save for the allotment and issue of the Subscription Shares and the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants).

The consideration of the Warrants Subscription is HK\$1.00 which shall be payable by the Subscriber to the Company.

Assuming full exercise of the subscription rights attaching to the Warrants, the gross and net proceeds from the Warrants Subscription are estimated to be approximately HK\$220.8 million. The maximum net price per Warrant Share upon full exercise of the subscription rights attaching to the Warrants is estimated to be approximately HK\$3.68 per Warrant Share.

The Warrant Shares will be allotted and issued under the Warrants Specific Mandate to be sought from the Shareholders at the EGM.

LISTING APPLICATION

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Warrant Shares on the Stock Exchange. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Subscription Agreement, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) the Shares Specific Mandate and the Warrants Specific Mandate). To the best of the Directors' knowledge, none of the Shareholders has a material interest in the transaction contemplated under the issue of Subscription Shares and Warrants. Accordingly, no Shareholder will be required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Share Subscription Agreement, the Warrant Subscription Agreement and the transactions contemplated thereunder (including but not limited to, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) the Shares Specific Mandate and the Warrants Specific Mandate); and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that completion of the Shares Subscription and the Warrants Subscription are subject to fulfilment of the conditions precedent under the Share Subscription Agreement and the Warrant Subscription Agreement respectively. As the Shares Subscription and the Warrants Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of the Company dated 5 August 2022. The Company and the Investor entered into the Investment Agreement on 4 August 2022 in relation to the (i) possible issue of new Shares under specific mandate; and (ii) possible issue of unlisted warrants under specific mandate, pursuant to which the Company has agreed to allot and issue, and the Investor has agreed to subscribe for, 60,000,000 Subscription Shares and 60,000,000 Warrants. The Company and the Investor have agreed that the Investor will conduct the DD Investigations within 45 days commencing on the date of the Investment Agreement. If the results of the DD Investigations is to the satisfaction of the Investor, the Investor (through his designated beneficially owned entity, the Subscriber) will participate in the Shares Subscription and the Warrants Subscription.

Reference is also made to the announcement of the Company dated 26 September 2022. The Board announced that the DD Investigations has been completed in accordance with the Investment Agreement and the Subscriber is reasonably satisfied with the results thereof, accordingly, on 29 September 2022 (after trading hours):

- (i) the Company entered into the Share Subscription Agreement with the Subscriber, pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for, the Subscription Shares at the Shares Subscription Price of HK\$3.00 per Subscription Share; and
- (ii) the Company also entered into the Warrant Subscription Agreement with the Subscriber, pursuant to which the Company agreed to issue to the Subscriber the Warrants conferring the rights to subscribe for up to initially 60,000,000 Warrant Shares at the Warrants Exercise Price of HK\$3.68 per Warrant Share.

(I) ISSUE OF NEW SHARES UNDER SHARES SPECIFIC MANDATE

The Company has entered into the Share Subscription Agreement with the Subscriber in relation to the Shares Subscription. The principal terms of the Share Subscription Agreement are as follows:

THE SHARE SUBSCRIPTION AGREEMENT

Date

29 September 2022 (after trading hours)

Issuer: the Company

Subscriber: the Subscriber

Number of Subscription Shares

As at the date of this announcement, the Company has 573,019,000 Shares in issue. The 60,000,000 Subscription Shares represent:

- (i) approximately 10.47% of the existing issued share capital of the Company as at the date of this announcement;
- (ii) approximately 9.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there will be no change in the share capital of the Company from the date of the Share Subscription Agreement to the Shares Completion Date, save for the allotment and issue of the Subscription Shares); and
- (iii) approximately 8.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming there will be no change in the share capital of the Company from the date of the Subscription Agreement to the Shares Completion Date and the Warrants Completion Date, save for the allotment and issue of the Subscription Shares and the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants).

The aggregate nominal value of the Subscription Shares is HK\$600,000.

Consideration of the Shares Subscription

The consideration of the Shares Subscription of HK\$180,000,000 shall be settled on the Shares Completion Date by the Subscriber in cash by cashier's order or banker's draft to the Company.

Shares Subscription Price

The Shares Subscription Price of HK\$3.00 per Subscription Share was fixed on 4 August 2022, being the date of entering into of the Investment Agreement. The Shares Subscription Price represents:

- (i) a discount of approximately 16.43% to the closing price of HK\$3.59 as quoted on the Stock Exchange on the last trading day prior to the date of the Investment Agreement;
- (ii) a discount of approximately 22.28% to the closing price of HK\$3.86 per Share as quoted on the Stock Exchange on the date of the Share Subscription Agreement;
- (iii) a discount of approximately 16.20% to the average closing price of HK\$3.58 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Investment Agreement; and

- (iv) a discount of approximately 23.47% to the average closing price of HK\$3.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreement.

The Shares Subscription Price was determined with reference to the prevailing market price of the Shares before entering into the Investment Agreement and was negotiated on an arm's length basis between the Parties. The Directors consider that the Shares Subscription Price is fair and reasonable based on the then market conditions and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent of the Shares Subscription

Completion of the Shares Subscription shall be subject to the satisfaction and/or fulfilment of such conditions precedent as set out in the Share Subscription Agreement:

- (a) the Shares Specific Mandate and the Warrants Specific Mandate having been granted;
- (b) the Stock Exchange having approved the listing of and dealings with the Subscription Shares, and such approval not having been withdrawn, revoked or cancelled;
- (c) the Company having obtained the necessary consent, approval, authorisation, permission, or confirmation for the consummation of the transactions contemplated under the Share Subscription Agreement from any third party to which the Company or its subsidiaries have entered into any agreement or arrangement;
- (d) the Warrant Subscription Agreement having become unconditional;
- (e) trading of the Shares on the Stock Exchange not having been suspended for a continuous period of more than thirty (30) dealing days (save in respect of any suspension in trading of the Shares for the purposes of clearing the relevant announcement(s) or otherwise in relation to any transaction contemplated in the Share Subscription Agreement and/or the Warrant Subscription Agreement);
- (f) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension; and
- (g) all the representations and warranties of the Company pursuant to the Share Subscription Agreement remaining true, correct, valid, binding and effective up to and as of the Shares Completion Date.

Save and except that such conditions precedent as set out in condition precedent (g) above which may be waived by the Subscriber unilaterally at any time prior to the Long Stop Date by notice in writing to the Company, no other conditions precedent can be waived by any Party, and the Parties shall use their respective best endeavours to ensure that the conditions precedent (save and except such conditions precedent waived or to be waived pursuant to this paragraph) shall be fulfilled and satisfied as soon as possible after the execution of the Share Subscription Agreement, and in any event, no later than the Long Stop Date.

Save as otherwise stated, if any condition precedent set out in conditions precedent (a) to (g) above (save and except such conditions precedent waived or to be waived pursuant to the above paragraph) shall not have been fulfilled by the Long Stop Date, the Share Subscription Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain clauses in the Share Subscription Agreement which shall remain in force, and none of the Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other Party save for any antecedent breaches of the terms thereof.

Completion of the Shares Subscription

The completion of the Shares Subscription shall take place on the Shares Completion Date (or such other time as the Parties may otherwise agree in writing) when each Party shall perform its respective obligations pursuant to the Share Subscription Agreement.

For avoidance of any doubt, there shall not be any completion of the Shares Subscription on the date scheduled to be the Shares Completion Date unless the completion of the Shares Subscription and the completion of the transactions contemplated under the Warrant Subscription Agreement taking place simultaneously on the date scheduled to be the Shares Completion Date.

Upon the completion of the Shares Subscription, the Subscriber and the party(ies) acting in concert with it shall not hold Shares in such portfolio which may trigger any mandatory general offer obligation under Rule 26.1 of the Takeovers Code.

In the event that either Party shall without any reasonable ground fail to do anything required to be done by it under or pursuant to the Share Subscription Agreement, without prejudice to any other right or remedy available to the other Party, such other Party may:

- (a) defer the completion of the Shares Subscription to a day not more than ten (10) Business Days after the date initially fixed for the completion of the Shares Subscription (and so that the provision of this sub-paragraph shall apply to the completion of the Shares Subscription as so deferred); or
- (b) proceed to the completion of the Shares Subscription insofar as is practicable but without prejudice to such other Party's right *vis-a-vis* the Party in default; or
- (c) rescind the Share Subscription Agreement without liability on its part.

Ranking of the Subscription Shares

The Subscription Shares will rank, upon allotment and issue, *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Lock-up period

The Subscription Shares shall be subject to a period of 18 months commencing on the date of issuing of the Subscription Shares during which the Subscription Shares cannot be sold or transferred.

Shares Specific Mandate

The Subscription Shares will be allotted and issued under the Shares Specific Mandate to be sought from the Shareholders at the EGM.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

(II) ISSUE OF UNLISTED WARRANTS UNDER WARRANTS SPECIFIC MANDATE

The Company has entered into the Warrant Subscription Agreement with the Subscriber in relation to the Warrants Subscription. The principal terms of the Warrant Subscription Agreement are as follows:

THE WARRANT SUBSCRIPTION AGREEMENT

Date

29 September 2022 (after trading hours)

Issuer: the Company

Subscriber: the Subscriber

Consideration of the Warrants Subscription

The consideration of the Warrants Subscription of HK\$1.00 shall be settled and discharged by the Subscriber in cash by cashier order or banker's draft at the completion of the Warrants Subscription.

Conditions precedent of the Warrants Subscription

Completion of the Warrants Subscription shall be subject to the following conditions precedent:

(a) the Warrants Specific Mandate and the Shares Specific Mandate having been granted;

- (b) the Stock Exchange having approved the issue of the Warrants;
- (c) the Stock Exchange having approved the listing of and dealings with the Warrant Shares, and such approval not having been withdrawn, revoked or cancelled;
- (d) (if required) the Company having obtained the necessary consent, approval, authorisation, permission, or confirmation for the consummation of the transactions contemplated under the Warrant Subscription Agreement from any third party to which the Company or its subsidiaries have entered into any agreement or arrangement;
- (e) the Share Subscription Agreement having become unconditional;
- (f) trading of the Shares on the Stock Exchange not having been suspended for a continuous period of more than thirty (30) dealing days (save in respect of any suspension in trading of the Shares for the purposes of clearing the relevant announcement(s) or otherwise in relation to any transaction contemplated in the Warrant Subscription Agreement and/or the Share Subscription Agreement);
- (g) listing status of the Shares not having been revoked, cancelled, withdrawn or suspended, or further or in the alternative, threatened with any revocation, cancellation, withdrawal or suspension; and
- (h) all the representations and warranties of the Company pursuant to the Warrant Subscription Agreement remaining true and correct, valid, binding and effective up to and as of the Warrants Completion Date.

Save and except that such conditions precedent as set out in condition precedent (h) which may be waived by the Subscriber unilaterally at any time prior to the Long Stop Date by notice in writing to the Company, no other conditions precedent can be waived by any Party, and the Parties shall use their respective best endeavours to ensure that the conditions precedent (save and except such conditions precedent waived or to be waived pursuant to this paragraph) shall be fulfilled and satisfied as soon as possible after the execution of the Warrant Subscription Agreement, and in any event, no later than the Long Stop Date.

Save as otherwise stated, if any condition precedent set out in conditions precedent (a) to (h) above (save and except such conditions precedent waived or to be waived pursuant to the above paragraph) shall not have been fulfilled by the Long Stop Date, the Warrant Subscription Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain clauses in the Warrant Subscription Agreement which shall remain in force, and none of the Parties shall have any claim of any nature or liabilities thereunder whatsoever against the other Party save for any antecedent breaches of any term therein.

Completion of the Warrants Subscription

The completion of the Warrants Subscription shall take place on the Warrants Completion Date (or such other time as the Parties may otherwise agree in writing) when each Party shall perform its respective obligations pursuant to the Warrant Subscription Agreement.

For avoidance of any doubt, there shall not be any completion of the Warrants Subscription on the date scheduled to be the Warrants Completion Date unless the completion of the Warrants Subscription and the completion of the transactions contemplated under the Share Subscription Agreement taking place simultaneously on the date scheduled to be the Warrants Completion Date.

Without prejudice to any other remedies available to the Company or the Subscriber, if in any respect the provisions of the Warrant Subscription Agreement are not complied with by the Company or the Subscriber on the Warrants Completion Date, the Company (in case of default by the Subscriber) or the Subscriber (in case of default by the Company) may:

- (a) defer the completion of the Warrants Subscription to a date not more than ten (10) Business Days after the Warrants Completion Date (and so that the provisions of this sub-paragraph shall apply to the completion of the Warrants Subscription as so deferred);
- (b) proceed to the completion of the Warrants Subscription insofar as shall be practicable (without prejudice to its rights under the Warrant Subscription Agreement); or
- (c) terminate the Warrant Subscription Agreement, upon which the Warrant Subscription Agreement shall cease to be of any effect except for certain clauses of the Warrant Subscription Agreement which shall remain valid, binding and effective and save in respect of claims arising out of any antecedent breach of the Warrant Subscription Agreement.

Ranking of the Warrant Shares

The Warrant Shares will rank, upon allotment and issue, *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Warrant Shares.

Lock-up period

The Warrant Shares shall be subject to a period of 18 months commencing on the date of issuing the Warrant Shares during which the Warrant Shares cannot be sold or transferred.

Warrants Specific Mandate

The Warrant Shares will be allotted and issued under the Warrants Specific Mandate to be sought from the Shareholders at the EGM.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares on the Stock Exchange. No listing of the Warrants will be sought on the Stock Exchange or any other stock exchanges.

Principal terms of the Warrants

- Issuer:** the Company
- Number of Warrants:** 60,000,000 Warrants, which are exercisable up to initially 60,000,000 Warrant Shares (subject to adjustment)
- Exercise period of the Warrants:** The Warrants may be exercised in whole or in part at any time during the Warrants Subscription Period.
- Subscription rights:** Upon exercise of any subscription rights attaching to the Warrants, each Warrant shall entitle the Warrantholder to subscriber for one Warrant Share at the Warrants Exercise Price. Each Warrant shall rank *pari passu* with the other Warrants.
- The Company shall not, and shall not be required to, issue any Warrant Share if, as a result of the relevant exercise of subscription rights attaching to the Warrants,
- (a) less than 25% or the prescribed minimum percentage as set out in the Listing Rules of the Company's issued Shares would be held by the public immediately after the relevant exercise of subscription rights attaching to the Warrants; or
 - (b) the Warrantholder concerned and/or parties acting in concert with it will be interested in 30% or more of the Company's issued Shares or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer under the Takeovers Code; or
 - (c) the Company would otherwise be in breach of the Listing Rules, the Takeovers Code and/or any requirement or condition imposed by relevant regulatory authorities including the SFC and the Stock Exchange.

Warrants Exercise Price:

The Warrants Exercise Price of HK\$3.68 per Warrant Share was fixed on 4 August 2022, being the date of entering into of the Investment Agreement. The Warrants Exercise Price represents:

- (i) a premium of approximately 2.51% over the closing price of HK\$3.59 per Share as quoted on the Stock Exchange on the last trading day prior to the date of the Investment Agreement;
- (ii) a discount of approximately 4.66% to the closing price of HK\$3.86 per Share as quoted on the Stock Exchange on the date of the Warrant Subscription Agreement;
- (iii) a premium of approximately 2.79% over the average closing price of HK\$3.58 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Investment Agreement; and
- (iv) a discount of approximately 6.12% to the average closing price of HK\$3.92 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Warrant Subscription Agreement.

The Warrants Exercise Price was determined with reference to the prevailing market price of the Shares before entering into the Investment Agreement and was negotiated on an arm's length basis between the Parties. The Directors consider that the Warrants Exercise Price is fair and reasonable based on the then market conditions and is in the interests of the Company and the Shareholders as a whole.

Warrant Shares:

Assuming full exercise of the subscription rights attaching to the Warrants, the 60,000,000 Warrant Shares represent:

- (a) approximately 10.47% of the existing issued share capital of the Company as at the date of this announcement;

- (b) approximately 9.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Warrant Shares (assuming there is no other change in the share capital of the Company from the date of the Warrant Subscription Agreement to the Warrants Completion Date, save for the allotment and issue of the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants); and
- (c) approximately 8.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Warrant Shares (assuming there will be no change in the share capital of the Company from the date of the Warrant Subscription Agreement to the Shares Completion Date and the Warrants Completion Date, save for the allotment and issue of the Subscription Shares and the Warrant Shares upon full exercise of the subscription rights attaching to the Warrants).

The aggregate nominal value of the Warrant Shares is HK\$600,000.

Rights on liquidation:

If an effective resolution is passed during the Warrants Subscription Period for the voluntary winding-up of the Company, then:

- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholder, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholder and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all Warrantholder; and

(b) in any other case, every Warrantholder (or, in the case of joint Warrantholders, the Warrantholder whose name stands first in the register of the Warrantholders required to be maintained pursuant to the Warrant Subscription Agreement in respect of the Warrant held by such joint Warrantholder) shall be entitled by irrevocable surrender of his Warrant certificate(s) to the registrar of the Company with the subscription form(s) duly completed, together with payment of the exercise moneys (or the relative portion thereof), to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised such of the subscription rights attaching to the Warrants represented by his Warrant(s) as are specified in the subscription form(s) submitted by him and had on such date been the holder of the Warrant Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the Warrantholder of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to Warrantholder with respect to their rights under this sub-paragraph (to the extent applicable).

Subject to the above sub-paragraphs (a) and (b), if the Company is wound up, all subscription rights attaching to the Warrants which have not been exercised at the date of the passing of such resolution shall lapse and Warrant certificate shall cease to be valid for any purpose.

Transferability:

The Warrants shall be in registered form and will be transferrable in integral multiples of 1,000,000 Warrants (or the whole but not part of the outstanding Warrants if the number of outstanding Warrants are less than 1,000,000 Warrants) by instrument or transfer in any usual or common form or such other form as may be approved by the Directors.

The Warrants may, subject to the lock-up period as well as other terms and conditions contained in the instrument of the Warrants, be transferred by a Warrantholder to any person (and the transferee shall then become a Warrantholder of the Warrants thus transferred) provided that where the Warrants (or any part thereof) are intended to be transferred to a connected person (as defined in the Listing Rules), such transfer shall comply with the requirements under the Listing Rules and/or the requirements imposed by the Stock Exchange, if any.

**Adjustments to the Warrants
Exercise Price:**

Subject as hereinafter provided, the Warrants Exercise Price shall from time to time be adjusted in accordance with the following provisions (but shall however not be adjusted below the nominal value of the Shares until the subscription right reserve is maintained pursuant to the instrument of the Warrants) and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the following sub-paragraphs (1) to (6) inclusive appearing immediately thereunder it shall be taken to fall within the first of the applicable sub-paragraph to the exclusion of the remaining sub-paragraphs below:

- (1) an alteration to the nominal amount of each of the Shares by reason of any consolidation or subdivision;
- (2) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
- (3) a capital distribution to all holders of Shares (in their capacity as such) (including, but not limited to, such a distribution pursuant to a reduction or redemption of share capital, share premium account or capital redemption reserve fund or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries;

- (4) an offer to all holders of Shares new Shares for subscription by way of rights, or shall grant to all holders of Shares any options or warrants to subscribe for new Shares, at a price per new Share which is less than 60% of the market price on the date of the announcement of the terms of the offer or grant (whether or not such offer or grant is subject to the approval of the holders of Shares or other persons);
- (5) an issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total Effective Consideration per new Share initially receivable for such securities is less than 60% of the market price on the date of the announcement of the terms of issue of such securities (whether or not such issue is subject to the approval of the holders of Shares or other persons), or the conversion or exchange or subscription attaching to any such securities are modified so that the total Effective Consideration per new Share initially receivable for such securities shall be less than 60% of the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription;
- (6) an issue wholly for cash any Shares at a price which is less than 60% of the market price on the date of the announcement of the terms of such issue; and
- (7) an offer or invitation to holders of Shares to tender for sale to the Company any Shares or if the Company shall purchase any Shares or securities convertible into Shares or any rights to acquire Shares (excluding any such purchase made on the Stock Exchange, or any recognised stock exchange, being a stock exchange recognised for this purpose by the executive director of the corporate finance division of the SFC and the Stock Exchange) and the Directors consider that it may be appropriate to make an adjustment to the Warrants Exercise Price, at that time the Directors shall appoint the auditors or the financial adviser to consider whether, for any reason whatever as a result of such purchases.

Voting rights:

Warrantholders shall not be entitled to attend and vote at any general meeting of the Company by reason of only being a holder of the Warrants.

REASONS FOR AND BENEFITS OF THE SHARES SUBSCRIPTION AND THE WARRANTS SUBSCRIPTION

Under the impact of the COVID-19 pandemic, there has been a worldwide shortage of semiconductors as economic recovery is hindered by the disruptions to global supply chains and rising inflation, which thus puts the semiconductor industry in the spotlight. The Group believes that the prospects of manufacturing third-generation semiconductors, in particular, the manufacturing and sales of GaN, are promising and positive. Accordingly, the Directors are of the view that the Shares Subscription and the Warrants Subscription represent a good opportunity for the Company to raise additional capital for the Group's GaN business development so as to maximise the Group's revenue.

Furthermore, with the background of the Investor, it is expected that the Investor can (i) coordinate the resources of the new energy industry and form strategic synergy with the Group's third-generation semiconductors (especially power chips) to form complementary industrial resources; (ii) use his financial resources and business network to assist the Group in the rapid development of production capacity and products; (iii) assist the Group to work closely with local governments to improve the policies and supports for the third-generation semiconductor industry; and (iv) use his own experience in operation and management to assist the Group to build up its talents, operations, technology, research and development.

The Directors (including all the non-executive Director and independent non-executive Directors) consider that the terms of the Share Subscription Agreement and the Warrant Subscription Agreement, which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and the Shares Subscription and the Warrants Subscription are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS FROM THE SHARES SUBSCRIPTION AND THE WARRANTS SUBSCRIPTION

The gross proceeds from the Shares Subscription will be HK\$180 million and the net proceeds from the Shares Subscription (after deduction of relevant costs and expenses) is estimated to be approximately HK\$180 million. The net price per Subscription Share upon the completion of the Shares Subscription is estimated to be approximately HK\$3.0 per Subscription Share.

Assuming full exercise of the subscription rights attaching to the Warrants, the gross and net proceeds from the Warrants Subscription are estimated to be approximately HK\$220.8 million. The maximum net price per Warrant Share upon full exercise of the subscription rights attaching to the Warrants is estimated to be approximately HK\$3.68 per Warrant Share.

The Group proposes to use the maximum proceeds from the Shares Subscription and the Warrants Subscription of approximately HK\$400.8 million for the development of GaN business of the Group.

INFORMATION ON THE GROUP

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

INFORMATION ON THE SUBSCRIBER AND THE INVESTOR

The Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is beneficially wholly-owned by the Investor. The Investor, aged 64, is the founder and executive director of GCL Technology Holdings Limited, a company listed on the Stock Exchange (stock code:3800). The Investor was a member of the 12th National Committee of the Chinese People's Political Consultative Conference (the "CPPCC") and is currently a member of the 12th Jiangsu Province Committee of the CPPCC, the chairman of Global Green Energy Industry Council, the vice chairman of Global Innovation Centre, the chairman of Asian Photovoltaic Industry Association, the deputy director of the Green and Low Carbon Development Promotion Committee of China Enterprise Confederation, the executive vice president of the Energy Storage and Electric Vehicle Branch of China Electricity Council. He concurrently serves as the executive chairman of ICC China Environment and Energy Committee, the vice chairman of China Overseas Chinese Entrepreneurs Association, the vice chairman of China Fortune Foundation Limited, the vice chairman of China Industrial Overseas Development & Planning Association, the vice president of Jiangsu Federation of Industry and Commerce, the honorary chairman of Jiangsu Residents Association in Hong Kong, an executive vice chairman of the Federation of HK Jiangsu Community Organisations, the honorary chairman of Suzhou Federation of Industry and Commerce and the chairman of SNEC Hydrogen Energy Industry Alliance Council. The Investor has been given the "New China 70th New Energy Industry 10 Outstanding Contributors" award and the medals of "Chinese Enterprise Reform, Figure of Energy Revolution and Leading Energy Entrepreneur of 40 Years Reform and Opening". The Investor graduated from Nanjing Electric Power College* (南京電力專科學校) in July 1981 and obtained a diploma in electrical automation. He is also the chairman of GCL System Integration Technology Co., Ltd., a company with its shares listed on the Shenzhen Stock Exchange (Stock Code: 002506) and a director of GCL Energy Technology Co. Ltd., a company with its shares listed on the Shenzhen Stock Exchange (Stock Code: 002015).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund raising activities in the past twelve months before the date of this announcement.

Date of announcement	Event	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
13 September 2022	Placing of 20,000,000 new Shares at the placing price of HK\$3.20 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 13 September 2022	Approximately HK\$62.4 million	<ul style="list-style-type: none"> (i) as to approximately HK\$52.0 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and (ii) as to approximately HK\$10.4 million for provision of general working capital and improving the financial position of the Group 	Pending completion of the placing
5 August 2022	Placing of 9,428,000 new Shares at the placing price of HK\$3.20 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 4 August 2022	Approximately HK\$29.4 million	<ul style="list-style-type: none"> (i) as to approximately HK\$24.5 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and (ii) as to approximately HK\$4.9 million for provision of general working capital and improving the financial position of the Group 	<ul style="list-style-type: none"> (i) approximately HK\$7.7 million used for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology. (ii) fully utilised as intended

Date of announcement	Event	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds as at the date of this announcement
4 November 2021	Placing of 14,346,000 new Shares at the placing price of HK\$6.20 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 4 November 2021	Approximately HK\$86.2 million	<p>(i) as to approximately HK\$64.3 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and</p> <p>(ii) as to approximately HK\$21.9 million for provision of general working capital and improving the financial position of the Group</p>	Fully utilised as intended

EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; (ii) upon completion of the Shares Subscription and the Warrants Subscription but before full exercise of the subscription rights attaching to the Warrants; and (iii) upon completion of the Shares Subscription and the Warrants Subscription (assuming full exercise of the subscription rights attaching to the Warrants) are set out below:

Shareholders	(i) As at the date of this announcement		(ii) Upon completion of the Shares Subscription and the Warrant Subscription but before full exercise of the subscription rights attaching to the Warrants		(iii) Upon completion of the Shares Subscription and the Warrants Subscription (assuming full exercise of the subscription rights attaching to the Warrants)	
	Number of Shares	Approximate	Number of Shares	Approximate	Number of Shares	Approximate
Director						
Mr. Lyu Xiangrong	834,000	0.15%	834,000	0.13%	834,000	0.12%
Substantial Shareholders						
Wide Yield Investment Holding Limited (Note 1)	100,500,000	17.54%	100,500,000	15.88%	100,500,000	14.50%
First Global Limited (Note 2)	<u>100,500,000</u>	<u>17.54%</u>	<u>100,500,000</u>	<u>15.88%</u>	<u>100,500,000</u>	<u>14.50%</u>
Sub-total	201,000,000	35.08%	201,000,000	31.76%	201,000,000	29.00%
Subscriber	—	—	60,000,000	9.48%	120,000,000	17.32%
Public Shareholders	<u>371,185,000</u>	<u>64.77%</u>	<u>371,185,000</u>	<u>58.63%</u>	<u>371,185,000</u>	<u>53.56%</u>
Total	<u><u>573,019,000</u></u>	<u><u>100.00%</u></u>	<u><u>633,019,000</u></u>	<u><u>100.00%</u></u>	<u><u>693,019,000</u></u>	<u><u>100.00%</u></u>

Notes:

1. Wide Yield Investment Holding Limited is wholly owned by Ms. Qin Anqi, and therefore Ms. Qin Anqi is deemed to be interested in the 100,500,000 Shares held by Wide Yield Investment Holding Limited under the SFO.
2. First Global Limited is wholly owned by Mr. Zhao Yi Wen who is the chairman of the Board, the chief executive officer of the Company and an executive Director, and therefore Mr. Zhao Yi Wen and his spouse Ms. Zhuang Chan Ling are deemed to be interested in the 100,500,000 Shares held by First Global Limited under the SFO.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Subscription Agreement, the Warrant Subscription Agreement and the transactions contemplated thereunder (including without limitation, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) the Shares Specific Mandate and the Warrants Specific Mandate). To the best of the Directors' knowledge, none of the Shareholders has a material interest in the transactions contemplated under the issue of Subscription Shares and Warrants. Accordingly, no Shareholder will be required to abstain from voting at the EGM.

A circular containing, among other things, (i) further details of the Share Subscription Agreement, the Warrant Subscription Agreement and the transactions contemplated thereunder (including but not limited to, (a) the allotment and issue of the Subscription Shares; (b) the allotment and issue of the Warrant Shares upon exercise of the subscription rights attaching to the Warrants; and (c) the Shares Specific Mandate and the Warrants Specific Mandate); and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors of the Company should note that completion of the Shares Subscription and the Warrants Subscription are subject to fulfilment of the conditions precedent under the Share Subscription Agreement and the Warrant Subscription Agreement respectively. As the Shares Subscription and the Warrants Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

TERMS AND DEFINITIONS

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“Business Day(s)”	a day (excluding Saturday, Sunday or public holiday) on which no tropical cyclone warning No. 8 or above is hoisted, no “black rainstorm warning signal” is issued and no “extreme conditions” is announced in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. and on which licensed banks in Hong Kong are open for general banking business
“Company”	HG Semiconductor Limited (formerly known as HongGuang Lighting Holdings Company Limited), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“DD Investigations”	the due diligence investigations on legal, financial, commercial, corporate structure, regulatory compliance and such other respects of the Company as the Subscriber deems fit and appropriate
“Director(s)”	director(s) of the Company
“Effective Consideration per new Share”	initially receivable for such securities shall be the Total Effective Consideration divided by the maximum number of new Shares to be issued upon (and assuming) the full conversion or exchange thereof at the initial conversion or exchange rate or the exercise in full of the subscription rights attaching thereto at the initial Warrants Exercise Price, in each case without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, among other things, and if thought fit, approving the Share Subscription Agreement, the Warrant Subscription Agreement and the transactions contemplated thereunder and the grant of the Shares Specific Mandate and the Warrants Specific Mandate to the Directors
“GaN”	Gallium Nitride
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Investment Agreement”	the conditional investment agreement entered into between the Company and the Investor dated 4 August 2022 in relation to (i) issue of new Shares under specific mandate; and (ii) issue of unlisted warrants under specific mandate
“Investor”	Mr. Zhu Gongshan
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and approving the listing of and dealing with securities on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	5:00 pm on 30 November 2022
“Party(ies)”	the Company and the Subscriber (each a “Party” and collectively, the “Parties”)
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shares Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the Share Subscription Agreement
“Shares Specific Mandate”	the specific mandate granted by the Shareholders at the EGM for the Directors to allot, issue and deal with the Subscription Shares
“Shares Subscription”	the subscription and issue of the Subscription Shares pursuant to the Share Subscription Agreement under the Shares Specific Mandate
“Share Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 29 September 2022 in relation to, among other things, the Shares Subscription
“Shares Subscription Price”	HK\$3.00 per Subscription Share

“Special Resolution”	a resolution passed at a meeting of the Warrantholder(s) duly convened and held and carried by a majority consisting of not less than three-fourths of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on a poll
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Profit Act Limited, a company incorporated in Hong Kong with limited liability
“Subscription Share(s)”	the 60,000,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Share Subscription Agreement under the Shares Specific Mandate
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Total Effective Consideration”	receivable for the relevant securities shall be deemed to be the aggregate consideration receivable by the issuer of such securities for the issue thereof plus the additional minimum consideration (if any) to be received by such issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of the subscription rights attaching thereto
“Warrantholder(s)”	in relation to any Warrant, Profit Act Limited or such other person(s) or party(ies) who is or are for the time being registered in the register of warrant holders pursuant to the instrument of the Warrants as the holder or joint holders of the Warrants or any number thereof
“Warrants”	the 60,000,000 unlisted warrants to be issued by the Company pursuant to the Warrant Subscription Agreement, each entitles the Warrantholder to exercise the subscription rights on the terms set out in the instrument of the warrants
“Warrants Completion Date”	any Business Day within a period of ten (10) Business Days after the fulfilment and/or satisfaction (or waiver, as appropriate) of the conditions precedent of the Warrant Subscription Agreement
“Warrants Exercise Price”	HK\$3.68 per Warrant Share

“Warrant Share(s)”	up to initially 60,000,000 new Shares (subject to adjustment) to be allotted and issued by the Company upon the Warrantholders’ exercising the subscription rights attached to the Warrants under the instrument of the Warrants and the Warrant Subscription Agreement
“Warrants Specific Mandate”	the specific mandate granted by the Shareholders at the EGM for the Directors to allot, issue and deal with the Warrant Shares
“Warrants Subscription”	the subscription and issue of the Warrants pursuant to the Warrant Subscription Agreement
“Warrant Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber dated 29 September 2022 in relation to, among other things, the Warrants Subscription
“Warrants Subscription Period”	a period of 18 months commencing on 6 months after the date of issue of the Warrants
“%”	per cent

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

Hong Kong, 29 September 2022

As at the date of this announcement, the executive Directors are Mr. Zhao Yi Wen, Mr. Lyu Xiangrong, Mr. Leung Kin Pang and Ms. Liu Yang; the non-executive Directors are Dr. Wang David Nin-kou and Mr. Wang Jie Chuan; 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.

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

* *for identification purposes only*