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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)**

### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

#### **Placing Agent**



**VC Brokerage Limited**

#### **THE PLACING**

On 23 May 2023 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, maximum of 40,000,000 Placing Shares to Placees who and whose ultimate beneficial owners will be third parties independent of the Company and not connected with the Company and its connected persons.

As at the date of this announcement, the Company has 581,601,000 Shares in issue. Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, maximum of 40,000,000 Placing Shares represent (i) approximately 6.88% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issue of the 40,000,000 Placing Shares. The Placing Shares will be allotted and issued pursuant to the General Mandate and therefore the allotment and issue of the Placing Shares will not be subject to any Shareholders' approval.

The Placing Price of HK\$0.90 represents (i) a discount of approximately 15.89% to the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 19.64% to the average closing price of approximately HK\$1.12 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The maximum gross proceeds from the Placing will be HK\$36 million. The maximum net proceeds from the Placing (after deducting the placing commission for the Placing and other relevant expenses) will amount to approximately HK\$35.1 million which is intended to be used for the purposes as further disclosed under the section “USE OF PROCEEDS FROM THE PLACING” in this announcement.

The Placing is conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares.

**As the completion of the Placing is subject to satisfaction of the conditions in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **THE PLACING**

On 23 May 2023 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, maximum of 40,000,000 Placing Shares to Placees who and whose ultimate beneficial owners will be third parties independent of the Company and not connected with the Company and its connected persons.

## **THE PLACING AGREEMENT**

### **Date**

23 May 2023 (after trading hours)

### **Issuer**

The Company

### **Placing Agent and Placing**

The Placing Agent has conditionally agreed to place a maximum of 40,000,000 Placing Shares on a best effort basis and will receive a placing commission of 2.5% of the aggregate amount of the Placing Price multiplied by the number of Placing Shares placed by the Placing Agent during the Placing

Period. Having considered the Placing Price, the number of Placing Shares, the terms of the Placing and the current market conditions, the Directors are of the view that the placing commission of 2.5% is fair and reasonable.

As at the date of this announcement, the Placing Agent is not a legal or beneficial owner of any Share, though VCH is the sole legal and beneficial owner of 17,354,000 Shares, representing approximately 2.98% of the existing total number of issued Shares.

Save as aforesaid, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement the Placing Agent is not connected with the Company in any respect, and as such, the Placing Agent is an Independent Third Party of the Company.

### **Placees**

The Placing Agent will, on a best effort basis, place the Placing Shares to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

### **Number of Placing Shares**

As at the date of this announcement, the Company has 581,601,000 Shares in issue. Assuming there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, maximum of 40,000,000 Placing Shares represent (i) approximately 6.88% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.43% of the issued share capital of the Company as enlarged by the allotment and issue of the 40,000,000 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$400,000.

### **Ranking of Placing Shares**

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

### **Placing Price**

The Placing Price of HK\$0.90 represents (i) a discount of approximately 15.89% to the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 19.64% to the average closing price of approximately HK\$1.12 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Placing Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement (including the Placing Price) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **General Mandate**

The maximum of 40,000,000 Placing Shares will be allotted and issued under the General Mandate. Accordingly, the allotment and issue of the Placing Shares will not be subject to the approval of the Shareholders. Under the General Mandate, the Directors were granted authority to issue up to 112,718,200 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Up to the date of this announcement, 18,010,000 Shares have been issued under the General Mandate and 94,708,200 Shares remain available for issuance under the General Mandate. Therefore, the General Mandate is sufficient for the issue and allotment of the Placing Shares and the allotment and issue of the Placing Shares is not subject to Shareholders' approval.

### **Conditions precedent of the Placing**

Completion of the Placing shall be conditional upon the satisfaction or fulfilment of the conditions precedent below:

- (a) the Company having complied with, and procured for the compliance with, all law as well as all conditions (if any) imposed by the Stock Exchange or by any other competent authority for issuance and allotment of the Placing Shares as well as the listing of and permission to deal in the Placing Shares and ensure the continued compliance thereof;
- (b) the Listing Committee having granted approval for the listing of, and permission to deal in, the Placing Shares, and such approval not having been revoked, suspended, withdrawn or cancelled, or threatened with any revocation, suspension, withdrawal or cancellation at any time prior to the Closing Date; and
- (c) the Company's representations and warranties made pursuant to the Placing Agreement being true and accurate in all material respects and not misleading up to the completion of the Placing.

The conditions precedent (a) to (b) above cannot be waived by the Company and the Placing Agent. The Placing Agent (but not the Company) may at any time unilaterally waive the condition precedent (c) above. As soon as practicable after the execution of the Placing Agreement and in any event, by the Closing Date, the Company shall use its best endeavours to procure the satisfaction of the conditions precedent (a) to (b) as well as the condition precedent (c) above (in case the condition precedent (c) above has not been waived by the Placing Agent).

If any one or more of the conditions precedent shall not have been satisfied or fulfilled by the Closing Date or any of the event as set out in the section headed “**Termination of the Placing**” below shall have occurred, subject to the Placing Agreement, all obligations and responsibilities of the Placing Agent and those of the Company thereunder shall cease and determine forthwith and none of the Company and the Placing Agent shall have any claim whatsoever against each other in relation thereto save for any antecedent breach of the Placing Agreement and without prejudice to the accrued rights and liabilities of each of the Company and the Placing Agent.

### **Termination of the Placing**

If at any time between the execution of the Placing Agreement and at 5:00 p.m. on the Business Day immediately prior to the Completion Date, there occurs:

1. the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company;
2. the occurrence of any local, national or international event or change occurring after the date of the Placing Agreement of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company or adversely prejudices the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing;
3. any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs after the date of the Placing Agreement which materially and adversely affects the success of the Placing (such success being the completion of the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing;
4. the Company commits any material breach of or omits or fails to observe any of its obligations or undertakings under the Placing Agreement; or
5. any of the representations or warranties contained in the Placing Agreement was, when given or deemed to be repeated under the Placing Agreement, untrue or inaccurate in any material respect or would in any material respect be untrue or inaccurate, or if repeated the Placing Agent shall

determine in its reasonable opinion that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Company or will otherwise likely to have a material prejudicial effect on the Placing,

then the Placing Agent may upon giving written notice to the Company terminate the Placing Agreement with immediate effect. If the Placing Agreement shall be terminated pursuant to the above, the obligations of the Placing Agent shall cease and determine, and the Company shall not be liable to pay any commission, and the Placing Agreement shall forthwith cease and determine and none of the Company and the Placing Agent shall have any claim against each other for compensation, costs, damages or otherwise.

### **Completion of the Placing**

Completion of the Placing will take place on the Completion Date.

### **REASONS FOR AND BENEFITS OF THE PLACING**

The Directors consider that the Placing represents a good opportunity for the Company to raise additional capital for the Group's operation and business development. In particular, it is expected that the proceeds from the Placing will be used for the purposes as set out in the paragraph headed "USE OF PROCEEDS FROM THE PLACING" below.

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

### **USE OF PROCEEDS FROM THE PLACING**

The maximum gross proceeds from the Placing will be HK\$36 million. The maximum net proceeds (after deducting the placing commission for the Placing and other relevant expenses) from the Placing will amount to approximately HK\$35.1 million. The maximum net price raised per Placing Share upon the completion of the Placing will be approximately HK\$0.88 per Placing Share.

The Group proposes to use the proceeds from the Placing as follows:

- (i) as to approximately HK\$17.55 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\$17.55 million for provision of general working capital and strengthening the financial position 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.

## 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 8,582,000 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\$26.8 million	(i) as to approximately HK\$22.3 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  (ii) as to approximately HK\$4.5 million for provision of general working capital and improving the financial position of the Group.	(i) fully utilised as intended.  (ii) fully utilised as intended.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised</b>	<b>Proposed use of proceeds</b>	<b>Actual use of proceeds as at the date of this announcement</b>
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	<p>(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</p> <p>(ii) as to approximately HK\$4.9 million for provision of general working capital and improving the financial position of the Group.</p>	<p>(i) fully utilised as intended.</p> <p>(ii) fully utilised as intended.</p>

*Note:* On 29 September 2022, the Company announced an issue of new Shares and unlisted warrants under specific mandate, which have not been completed.

## EFFECTS ON SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon completion of the Placing:

Shareholders	(i) As at the date of this announcement		(ii) Upon completion of the Placing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<b>Director</b>				
Mr. Lyu Xiangrong	834,000	0.14%	834,000	0.13%
Cao Yu	<u>50,000</u>	<u>0.01%</u>	<u>50,000</u>	<u>0.01%</u>
<b>Sub-total</b>	884,000	0.15%	884,000	0.14%
<b>Substantial Shareholders</b>				
Wide Yield Investment Holding Limited ( <i>Note 1</i> )	100,500,000	17.28%	100,500,000	16.17%
First Global Limited ( <i>Note 2</i> )	<u>96,500,000</u>	<u>16.59%</u>	<u>96,500,000</u>	<u>15.52%</u>
<b>Sub-total</b>	197,000,000	33.87%	197,000,000	31.69%
<b>Placees</b>	—	—	40,000,000	6.43%
<b>Public Shareholders</b>	<u>383,717,000</u>	<u>65.98%</u>	<u>383,717,000</u>	<u>61.74%</u>
<b>Total</b>	<u><u>581,601,000</u></u>	<u><u>100.00%</u></u>	<u><u>621,601,000</u></u>	<u><u>100.00%</u></u>

Notes:

- 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.
- First Global Limited is wholly owned by Mr. Zhao Yi Wen who is the chairman of the Board and an executive Director, and therefore Mr. Zhao Yi Wen and his spouse Ms. Zhuang Chan Ling are deemed to be interested in the 96,500,000 Shares held by First Global Limited under the SFO.

## TERMS AND DEFINITIONS

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“AGM”	the annual general meeting of the Company held on 17 May 2022
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“Closing Date”	any Business Day not later than 7 June 2023, being the date on which all the conditions precedent to the Placing Agreement have been satisfied or fulfilled, though the Company and the Placing Agent may agree in writing to have the Closing Date postponed to a subsequent Business Day
“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
“Completion Date”	the date of completion of the Placing, which shall be any Business Day falling within four Business Days after the Closing Date
“connected person(s)”	the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“GaN”	Gallium Nitride
“General Mandate”	the general mandate granted by the Shareholders at the AGM to the Board to allot, issue and deal with up to 112,718,200 new ordinary shares to be issued and allotted by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a party which is not a connected person of the Company and which is independent of (i) the Company and/or the Company’s connected persons, and (ii) the Placing Agent and/or the Placing Agent’s connected persons
“LED”	light emitting diode
“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
“Placee(s)”	any investor who is an individual, institutional or professional investor selected and/or procured by or on behalf of the Placing Agent as contemplated by the Placing Agreement and is (i) independent of the Company (and the Group), its connected person(s) and their respective associate(s), and (ii) independent of and not parties acting in concert with any persons, other placee(s) or Shareholders to the effect that the Placing to such investor shall not trigger any mandatory offer obligation under Rule 26.1 of the Takeovers Code, procured by the Placing Agent to subscribe for the Placing Shares pursuant to the Placing Agent’s obligations thereunder
“Placing”	the placing of up to 40,000,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	VC Brokerage Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 23 May 2023 in relation to the Placing
“Placing Period”	the period commencing forthwith upon the execution of the Placing Agreement and expiring at 5:00 p.m. on 2 June 2023, or on such later date as the Company and the Placing Agent may agree in writing
“Placing Price”	HK\$0.90 per Placing Share
“Placing Share(s)”	up to 40,000,000 new Shares to be allotted and issued by the Company under the General Mandate and pursuant to the Placing Agreement on the Completion Date, and the placing shares shall rank <i>pari passu</i> in all respects with the existing Shares then in issue

“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“VCH”	Value Convergence Holdings Limited, a company incorporated in Hong Kong with limited liability and having its issued ordinary shares listed on the Main Board of the Stock (Stock Code: 821), and the Placing Agent is a wholly-owned subsidiary of VCH
“%”	per cent

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.*

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