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HG SEMICONDUCTOR LIMITED

宏 光 半 導 體 有 限 公 司

(formerly known as HongGuang Lighting Holdings Company Limited 宏光照明控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6908)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



VC BROKERAGE LIMITED

滙盈證券有限公司

VC Brokerage Limited

THE PLACING

On 4 November 2021, 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 26,755,000 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 549,245,000 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 26,755,000 Placing Shares represent (i) approximately 4.87% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.64% of the issued share capital of the Company as enlarged by the allotment and issue of the 26,755,000 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\$6.20 represents (i) a discount of approximately 8.82% to the closing price of HK\$6.80 as quoted on the Stock Exchange on the last trading day prior to the date of the Placing Agreement; and (ii) a discount of approximately 9.88% to the average closing price of HK\$6.88 as quoted on the Stock Exchange for the last five trading days prior to the date of the Placing Agreement.

The maximum gross proceeds from the Placing will be HK\$165.9 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\$160.9 million which is intended to be used for the purposes as further disclosed under the section “Use of Proceeds” in this Announcement.

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

As Completion 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 AGREEMENT

Date

4 November 2021

Issuer

The Company

Placing Agent and Placing

The Placing Agent has conditionally agreed to place a maximum of 26,755,000 Placing Shares on a best effort basis and will receive a placing commission of 3% on the gross proceeds of the actual number of Placing Shares being placed in the Placing. 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 3% is fair and reasonable.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

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. Further announcement will be made by the Company in the event that the number of Placees is less than six.

Number of Placing Shares

The maximum of 26,755,000 Placing Shares represent (i) approximately 4.87% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 4.64% of the issued share capital of the Company as enlarged by the allotment and issue of the 26,755,000 Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$267,550.

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\$6.20 represents (i) a discount of approximately 8.82% to the closing price of HK\$6.80 as quoted on the Stock Exchange on the last trading day prior to the date of the Placing Agreement; and (ii) a discount of approximately 9.88% to the average closing price of HK\$6.88 as quoted on the Stock Exchange for the last five trading days 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 26,755,000 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 96,000,000 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, 69,245,000 Shares have been issued under the General Mandate. Immediately upon the completion of the Placing, the General Mandate will be fully utilised.

Conditions of the Placing

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

- (1) 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;
- (2) the Listing Committee having granted approval, conditionally or unconditionally, 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
- (3) 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 Completion.

The conditions (1) and (2) above cannot be waived by any party. The Placing Agent (but not the Company) may at any time unilaterally waive the condition (3) 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 (1) and (2) as well as (3) above (in case the condition (3) above has not been waived by the Placing Agent).

If any one or more of the conditions shall not have been satisfied or fulfilled by the Closing Date or any of the event set out in the section headed "Termination of the Placing" below shall have occurred, all obligations and responsibilities of the Placing Agent and those of the Company under the Placing Agreement shall cease and determine forthwith and no party shall have any claim whatsoever against the other party in relation to the Placing Agreement save for any antecedent breach of the Placing Agreement and without prejudice to the accrued rights and liabilities of each party.

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 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 no party shall have any claim against the other party for compensation, costs, damages or otherwise.

Completion of the Placing

Completion of the Placing will take place within five Business Days after the fulfillment of the conditions set out in the Placing Agreement or such other date as may be agreed between the Company and the Placing Agent.

REASONS FOR THE PLACING

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 LED beads, LED lighting products and fast charging products in the PRC.

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, as further disclosed under the section "Use of Proceeds" in this announcement, it is expected that the proceeds from the Placing will be used to strengthen the Group's research and development capabilities, in particular, gallium nitride ("GaN") technology and provide general working capital to meet the needs of its business development plan.

The Directors do not rule out the possibility that the Company may conduct any further equity and/or debt fund raising exercises after taking into consideration any other potential business opportunities, any change of the Group's current circumstances and its business plan for the existing business of the Group, or the market sentiments during and subsequent to the Placing. The Company would closely monitor the development of the business of the Group and should any business opportunities arise, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

The Directors (including all the non-executive Director 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

The maximum gross proceeds from the Placing will be HK\$165.9 million (after deducting the placing commission for the Placing and other relevant expenses). The maximum net proceeds from the Placing will amount to approximately HK\$160.9 million. The maximum net price raised per Share upon the completion of the Placing will be approximately HK\$6.01 per Share.

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

- (i) as to approximately HK\$120.0 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\$40.9 million for provision of general working capital and improving the financial position of the Group.

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 the net proceeds as at the date of this announcement
22 July 2021	Placing of 69,245,000 new Shares at the placing price of HK\$5.80 per Share pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 13 June 2021	Approximately HK\$389.6 million	(i) as to approximately HK\$144.9 million for expansion of production capacity, which includes the rental of a production facility for LED, Mini LED, fast charging and related semiconductor products, the renovation works to be carried out, and the procurement of machineries and equipment; (ii) as to approximately HK\$74.8 million for strengthening research and development capabilities of LED, Mini LED, fast charging 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; (iii) as to approximately HK\$11.3 million for repayment of borrowings; and (iv) as to approximately HK\$158.6 million for provision of general working capital and improving the financial position of the Group	(i) approximately HK\$30.7 million used for expansion of production capacity; (ii) fully utilised as intended; and (iii) approximately HK\$141.9 million for general working capital.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing is set out as below:

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
First Global Limited, Star Eagle Enterprises Limited and Bigfair Enterprises Limited (<i>Note 1</i>)	300,000,000	54.62%	300,000,000	52.08%
GSR Capital Special Opportunity Fund L.P. (“GSR”) (<i>Note 2</i>)	56,000,000	10.20%	56,000,000	9.72%
Great Ocean Prime Holding Limited (“Great Ocean”) (<i>Note 3</i>)	24,000,000	4.37%	24,000,000	4.17%
Public				
Placees	—	—	26,755,000	4.64%
Other public Shareholders	<u>169,245,000</u>	<u>30.81%</u>	<u>169,245,000</u>	<u>29.39%</u>
Total	<u><u>549,245,000</u></u>	<u><u>100.0%</u></u>	<u><u>576,000,000</u></u>	<u><u>100.0%</u></u>

Notes:

- The aggregate 300,000,000 Shares consist of (i) 100,500,000 Shares held by First Global Limited, a company wholly owned by Mr. Zhao Yi Wen; (ii) 100,500,000 Shares held by Star Eagle Enterprises Limited, a company wholly owned by Mr. Lin Qi Jian; and (iii) 99,000,000 Shares held by Bigfair Enterprises Limited, a company wholly owned by Mr. Chiu Kwai San. On 8 June 2016, Mr. Lin Qi Jian, Mr. Zhao Yi Wen and Mr. Chiu Kwai San entered into the concert parties confirmatory deed to acknowledge and confirm, among other things, that they are parties acting in concert with each other, and therefore First Global Limited, Star Eagle Enterprises Limited and Bigfair Enterprises Limited are deemed to be interested in the 300,000,000 Shares together under the SFO.
- GSR is an exempted limited partnership with GoldenSand Capital Ltd (“GoldenSand”) (a company which is wholly owned by Sonny Wu and being the general partner of GSR) and Sonny Wu (being the limited partner of GSR) holding 50% and 50% of the total capital contribution to GSR respectively, and therefore GoldenSand and Sonny Wu are deemed to be interested in the 56,000,000 Shares held by GSR under SFO.
- Great Ocean is a company wholly owned by Liou Jr-Liang and therefore Liou Jr-Liang is deemed to be interested in the 24,000,000 Shares held by Great Ocean under SFO.

GENERAL

Application will be made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

As Completion 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.

TERMS AND DEFINITIONS

“AGM”	the annual general meeting of the Company held on 28 May 2021
“associate(s)”	has the meaning ascribed thereto under 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 26 November 2021, being the date on which all the conditions to the Placing Agreement have been satisfied or fulfilled
“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 five 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 mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with the Shares of up to 20% of the then issued share capital of the Company as at the date of the AGM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“LED”	light emitting diode
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional or other investor(s) procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of up to 26,755,000 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 4 November 2021 in relation to the Placing
“Placing Price”	HK\$6.20 per Placing Share
“Placing Share(s)”	a maximum of 26,755,000 new Shares to be placed pursuant to the Placing Agreement
“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
“%”	per cent

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

Hong Kong, 4 November 2021

As at the date of this announcement, the executive Directors are Mr. Zhao Yi Wen, Mr. Lin Qi Jian and Mr. Chan Wing Kin; the non-executive Directors are Dr. Wang David Nin-Kon and Mr. Chiu Kwai San; and the independent non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S. and Mr. Chan Chung Kik, Lewis.

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

* *for identification purpose only*