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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)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY FOUR (4) SHARES
HELD ON THE RECORD DATE ON
A NON-UNDERWRITTEN BASIS;**

AND

(2) PROPOSED CHANGE IN BOARD LOT SIZE

Financial adviser to the Company



Placing Agent



PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue on the basis of one (1) Rights Share for every four (4) Shares held on the Record Date at the Subscription Price of HK\$0.48 per Rights Share, to raise gross proceeds up to (i) approximately HK\$90.1 million before expenses by way of issuing up to 187,763,696 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date); or (ii) approximately HK\$91.3 million before expenses by way of issuing up to 190,110,258 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options).

The estimated maximum net proceeds from the Rights Issue, if fully subscribed, after deducting all necessary expenses, are estimated to be approximately HK\$89.0 million (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options). Details of the use of proceeds are set out in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this announcement. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

The Company will make arrangements as described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

On 12 November 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the Company (i) within the 12 month period immediately preceding the announcement of the proposed Rights Issue, or (ii) prior to such 12 month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to Shareholders as part of such rights issues or open offers), the Rights Issue is not conditional upon approval by the Shareholders.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

Subject to the fulfilment of the conditions of the Rights Issue, the Prospectus Documents setting out details of the Rights Issue will be made available to the Qualifying Shareholders on or about Tuesday, 17 December 2024. The Prospectus will be made available to the Non-Qualifying Shareholder(s) (if any) for information only. A copy of the Prospectus will also be made available on the websites of the Company (www.hg-semiconductor.com) and the Stock Exchange (www.hkexnews.hk). Shareholders and potential investors should exercise caution when dealing in the Shares.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Nil-paid Rights. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

CHANGE IN BOARD LOT SIZE

The Board has resolved that the board lot size of the Shares for trading on the Stock Exchange will be changed from 1,000 Shares to 5,000 Shares with effect from 9:00 am on Tuesday, 17 December 2024. Shareholders should note that Shareholder's approval is not required for the Change in Board Lot Size. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots.

PROPOSED RIGHTS ISSUE

The Board proposes to conduct the Rights Issue with the terms set out as follows:

Issue statistics

- Basis of the Rights Issue : One (1) Rights Share for every four (4) Shares held by the Qualifying Shareholders at the close of business on the Record Date
- Subscription Price : HK\$0.48 per Rights Share
- Net price per Rights Share : Approximately HK\$0.474 per Rights Share (assuming there is no change in the number of Shares in issue on or before the Record Date); or
(i.e. Subscription Price less cost and expenses incurred in the Rights Issue)
Approximately HK\$0.468 per Rights Share (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options)
- Number of Shares in issue as : 751,054,785 Shares
at the date of this announcement
- Number of Rights Shares to : 187,763,696 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record date) with an aggregate nominal value of HK\$1,877,636.96; or
be issued pursuant to the Rights Issue
190,110,258 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options) with an aggregate nominal value of HK\$1,901,102.58
- Total number of Shares in : 938,818,481 Shares (assuming there is no change in the number of Shares in issue on or before the Record Date) or 950,551,293 Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options)
issue upon completion of the Rights Issue assuming full subscription of the Right Shares

Gross proceeds from the Rights Issue : Approximately HK\$90.1 million before expenses (assuming there is no change in the number of Shares in issue on or before the Record Date) with a maximum of approximately HK\$91.3 million before expenses (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options)

As at the date of this announcement, (i) the Company has Share Options entitling the holders thereof the right to subscribe for an aggregate of 16,212,500 Shares, of which Vested Share Options to subscribe for an aggregate of 9,386,250 Shares are exercisable on or before the Record Date at the exercise prices ranging from HK\$1.4 to HK\$7.5 per Share (subject to adjustments); and (ii) the Company has Share Awards entitling the grantees thereof to be allotted and issued an aggregate of 7,540,000 Shares at nil consideration (other than the payment of their nominal value), all of which have a vesting period ending on a date after the Record Date. Save as aforementioned, the Company does not have any options outstanding under any share option scheme of the Company, any share awards outstanding under any share award scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement. As at the date of this announcement, the Company has no intention to issue or grant any Shares, share awards, convertible securities, warranties and/or options which are convertible or exchangeable into Shares on or before the Record Date.

Assuming no Shares are issued or repurchased on or before the Record Date, the aggregate 187,763,696 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 25.0% of the total number of issued Shares becoming effective and 20.0% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Assuming no Shares are issued or repurchased on or before the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options, the aggregate 190,110,258 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 25.0% of the total number of issued Shares becoming effective and 20.0% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

As at the date of this announcement, the Board has not received any information or irrevocable undertaking from any Shareholder of his/her/its intention to take up the Rights Shares to be provisionally allotted to him/her/it under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.48 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 36% to the closing price of HK\$0.750 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 41.5% to the average closing price of HK\$0.820 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 40.5% to the average closing price of HK\$0.807 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 31.0% to the theoretical ex-rights price of approximately HK\$0.696 per Share as quoted on the Stock Exchange on the Last Trading Day, assuming no Shares are issued or repurchased on and before the Record Date;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 8.3% represented by the theoretical diluted price of approximately HK\$0.752 to the benchmarked price of approximately HK\$0.820 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.750 per Share and the average closing price of the Shares in the five trading days immediately prior to the date of this announcement of HK\$0.820 per Share), assuming no Shares are issued or repurchased on or before the Record Date; and
- (vi) a discount of approximately 44.2% to the consolidated net asset value per share attributable to the Shareholders as at 30 June 2024 of approximately HK\$0.86 calculated based on the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately RMB597,559,000 (approximately HK\$648,351,515) as at 30 June 2024 and 751,054,785 Shares in issue as at the date of this announcement.

The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Subscription Price was determined taking into consideration (i) the current business performance and financial position of the Group; (ii) the recent market price of the Shares; (iii) the prevailing market conditions; (iv) the low trading volume of the Shares; and (v) the amount of funds the Company intends to raise under the Rights Issue for the purposes described in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this announcement. The Directors consider that the Subscription Price at a discount to the current market price of the Shares would enhance the attractiveness of the Rights Issue, and in turn encourage the Shareholders to participate in the Rights Issue, and accordingly allow them to maintain their shareholdings in the Company and participate in the future growth and development of the Group.

The Directors consider that, in view of prevailing market conditions and factors as described above, the terms of the Rights Issue, including the Subscription Price, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The maximum net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.468 per Rights Share.

Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment shall be one (1) Rights Share for every four (4) Shares held by the Shareholders as at the close of business on the Record Date at the Subscription Price. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Fractional provisional allotment of the Rights Shares

On the basis of the entitlement to subscribe one (1) Rights Share for every four (4) Shares held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Shares to the Rights Shares will arise from the Rights Issue.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions the record dates for which fall on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, and any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will make available the Prospectus Documents to the Qualifying Shareholders. Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may make available copies of the Prospectus to the Non-Qualifying Shareholders for their information only but will not send any PAL to them.

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer documents of the Shares (together with the relevant share certificates) with the Registrar, Boardroom Share Registrars (HK) Limited, the address of which is at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Monday, 9 December 2024.

The Company expects that the Prospectus Documents will be made available to the Qualifying Shareholders on or about Tuesday, 17 December 2024.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the date of this announcement, there are three Overseas Shareholders, two with registered addresses situated in the British Virgin Islands and one with registered addresses situated in the PRC. The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders under the laws of the relevant overseas jurisdiction and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders.

The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will make available the Prospectus (without the PAL) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares. The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the No Action Shareholders. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m. on Monday, 20 January 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on a pro-rata basis (based on all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) the relevant Qualifying Shareholders (or such persons who hold any Nil-paid Rights at the time such Nil-paid Rights lapse) whose Nil-paid Rights are not validly applied for in full, by reference to the extent that Shares in his/her/its Nil-paid Rights are not validly applied for; and

- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders may or may not receive any Net Gain.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 23 January 2025 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. Refund cheques for refunds, if the Rights Issue does not proceed, are expected to be sent on or about Thursday, 23 January 2025 by ordinary post to the applicants without interest, at their own risk, to their registered addresses, or in case of joint applicants, to the address of the first-named person.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf.

Application for listing in nil-paid and fully-paid forms

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 5,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Closure of register of members of Rights Issue

The register of members of the Company will be closed from Tuesday, 10 December 2024 to Monday, 16 December 2024 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. During this period, no transfer of Shares will be registered.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Placing

The Company will make arrangements as described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

Conditions of the Rights Issue

The Rights Issue are conditional upon fulfillment of the following conditions:

- (i) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (ii) the submission to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (iii) the Prospectus Documents being made available to the Qualifying Shareholders and the posting of the Prospectus bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (iv) the Placing Agreement not being terminated on or before the Latest Time for Termination in accordance with the provisions thereof, including force majeure events; and

- (v) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

As at the date of this announcement, none of the conditions has been satisfied. All conditions set out above cannot be waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or such other date as may be agreed between the Company and the Placing Agent), the Rights Issue will not proceed.

THE PLACING AGREEMENT

On 12 November 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by themselves or through their sub-placing agents) to procure independent placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Principal terms of the Placing Agreement are as follow:

- Date : 12 November 2024
- Placing Agent : Kingkey Securities Group Limited was appointed as the Placing Agent to procure, on a best effort basis, independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best knowledge, information and belief of the Directors, after making reasonable enquiries, the Placing Agent is an Independent Third Party and neither the Placing Agent nor any of its associates hold any Shares as at the date of this announcement.

- Placing fee and expenses : (i) placing commission of 1% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent, and (ii) a non-refundable fixed fee of HK\$100,000 payable upon the signing of the Placing Agreement which (in case any placing commission under (i) above becomes payable) shall be applied on a dollar-for-dollar basis towards the satisfaction of such placing commission (to the extent of the amount of such fixed fee).

- Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) : The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares.

The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall be not less than the Subscription Price.

- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees who and whose ultimate beneficial owner(s) are Independent Third Parties and that the voting rights of the Company of each of the Placees shall not, together with its associates, be at such level that prevents the Company from fulfilling the public float requirements under Rule 8.08 of the Listing Rules; and each of the Placees shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 30.00% or more of the voting rights of the Company upon completion of the Rights Issue or otherwise trigger any obligation to make a general offer for Shares under the Takeovers Code upon completion of the Rights Issue.
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon:
- (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and the NQS Unsold Rights Shares;
 - (ii) (where required) the passing of all necessary resolutions to be proposed at an extraordinary general meeting of the Company to be convened to consider and, approve, among others, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder;
 - (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
 - (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof.

In the event the conditions of the Placing Agreement are not fulfilled on or before the Latest Time for Placing Termination (or such later date as may be agreed between the parties in writing), the Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions (other than those set out in paragraphs (i) and (ii) above) by notice in writing to the Company, failing which all rights, obligations and liabilities of the parties of the Placing Agreement in relation to the Placing shall cease and determine and neither of the parties shall have any claim against the other in respect of the Placing save for any accrued rights or obligations which may accrue under the Placing Agreement prior to such termination.

- Completion date : Subject to the fulfillment of the conditions set out above, the third Business Day after the Latest Time for Termination or such other date as the Company and the Placing Agent may agree in writing.
- Termination : The Placing Agent may terminate the Placing Agreement without any liability to the Company, by giving notice in writing to the Company at any time prior to 10:00 a.m. one day before the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions of the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:
- (a) there develops, occurs or comes into force:
 - i. any event, development or change and including an event or change in relation to or a material adverse development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a material adverse change in, political, economic, fiscal, financial, regulatory or stock market conditions in Hong Kong, national or international or forming part of a series of events, developments or changes occurring or continuing the date of the Placing Agreement; or

- ii. the imposition of any moratorium, suspension (for more than seven (7) trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - iii. any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
 - iv. a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong; or
 - v. any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group as a whole and which in the reasonable opinion of the Placing Agent would materially and adversely affect the success of the Placing; or
- (b) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (c) there is any adverse change in the financial position of the Company which is material in the context of the Placing; or
- (d) there is any adverse change in market conditions which makes it inexpedient or inadvisable to proceed with the Placing or any suspension in the trading of the Company's securities on the Stock Exchange for a period of more than thirty (30) consecutive Business Days, excluding any suspension in connection with the clearance of any announcement, circular or other documents in connection with the Rights Issue and/or the Placing; or

- (e) the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are not approved by the relevant regulatory bodies and/or regulatory authorities to be placed to any places as contemplated in the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares for the Company; and (ii) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 8.08(1) of the Listing Rules after the Placing and the Rights Issue.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an exempt company incorporated in the Cayman Islands. The Group is principally engaged in the design, development, manufacturing, subcontracting and sales of semiconductor products, including light-emitting diode (“LED”) beads, new generation of semiconductor gallium nitride (“GaN”) chips, and GaN device related application products in the PRC.

As mentioned in the interim report of the Company for the six months ended 30 June 2024, in the first half of 2024, the Company continued to fully deploy the third-generation semiconductor industry chain while maintaining its solid foundation in initial LED bead business. The Group is committed to accelerating the pace of GaN production. The Group completed the production and commissioning of GaN epitaxial wafer equipment at the beginning of 2024 and met the conditions for epitaxial wafer production in its semiconductor factory in the Xuzhou Economic and Technological Development Zone (徐州經濟技術開發區), Jiangsu Province, the PRC (“**Xuzhou Factory**”). The Group also completed the purchase, installation and commissioning of the core equipment of the wafer production line, leading to the establishment of the wafer production line.

Currently, China's economy is in a critical period of a new round of industrial transformation, with semiconductors widely used in integrated circuits, consumer electronics, communication systems, photovoltaic power generation and other fields. With the rise of technologies such as 5G and artificial intelligence, the research and application of third-generation semiconductors represented by GaN have also been included in national strategic planning. According to market analysis firm Yole Développement's prediction, with the increasing demand for green energy generation, electric vehicles, charging piles and energy storage, the GaN power device market is expected to grow from US\$46 million in 2020 to US\$1.1 billion in 2026, with a compound annual growth rate of 70%.

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

The Group will continue to make increased efforts to develop the third-generation semiconductor GaN industry chain in order to accelerate the pace of R&D, and to expand the applications of GaN-related products. Following the successful development of GaN epitaxial wafers, along with the upgrade of the Xuzhou Factory and the production lines and machines being well in place, the Group's R&D team and experts will continue to focus on production research, aiming to accelerate the realization of production capacity.

Assuming a maximum of 190,110,258 Rights Shares will be issued under the Rights Issue (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options), the estimated gross proceeds of the Rights Issue will be HK\$91.3 million. The estimated expenses in relation to the Rights Issue will amount to approximately HK\$2.3 million and the estimated maximum net proceeds of the Rights Issue will be approximately HK\$89.0 million. The net subscription price per Rights Share is expected to be approximately HK\$0.468.

In view of the above, the Company intends to apply the net proceeds from the proposed Rights Issue as follows:

- (a) as to approximately HK\$53.4 million for strengthening research and development capabilities of LED, Mini LED, 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
- (b) as to approximately HK\$35.6 million for provision of general working capital and strengthening the financial position of the Group.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue as reduced by such under-subscription will be utilised in proportion to the above uses.

Other Fund-raising Alternatives

Other than the Rights Issue, the Company has considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. However, the Board considers that debt financing will result in an additional interest burden and a higher gearing ratio of the Group. In addition, debt financing may not be achievable on favourable terms or may require pledge of other kind of assets or securities which may reduce the Group's flexibility. As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing the overall working capital to fulfil the development plan of the Group without further increase the financial burden to the Group. The Rights Issue also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full.

Having considered the above-mentioned alternatives, the Directors consider raising funds by way of the Rights Issue is more appropriate as the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position for the development of its semiconductor business segment, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities during the 12 months immediately preceding the date of this announcement.

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Rights Issue and the Placing. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this announcement refer to the Hong Kong local times and dates.

Event	Hong Kong Time
Last day of dealings in the Shares on a cum-entitlement basis	Thursday, 5 December 2024
First day of dealings in the Shares on an ex-entitlement basis	Friday, 6 December 2024
Latest time for the Shareholders to lodge transfers of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Monday, 9 December 2024
Closure of register of members to determine the entitlements to the Rights Issue	Tuesday, 10 December 2024 to Monday, 16 December 2024 (both days inclusive)
Record Date for the Rights Issue	Monday, 16 December 2024
Re-opening of the register of members of the Company	Tuesday, 17 December 2024
Despatch of Prospectus Documents (including the PAL and the Prospectus; in the case of the Non-Qualifying Shareholders, the Prospectus only)	Tuesday, 17 December 2024
Effective date of change in board lot size from 1,000 Shares to 5,000 Shares	Tuesday, 17 December 2024
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Tuesday, 17 December 2024
First day of dealings in nil-paid Rights Shares in the board lot size of 5,000 Rights Shares	Thursday, 19 December 2024
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Monday, 23 December 2024
Last day of dealings in nil-paid Rights Shares in the board lot size of 5,000 Rights Shares	Monday, 30 December 2024
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Monday, 6 January 2025
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 6 January 2025
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares	4:00 p.m. on Thursday, 9 January 2025

Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Shares subject to the Placing	Monday, 13 January 2025
Commencement of the Placing (if there are any Unsubscribed Rights Shares and NQS Unsold Shares available), on best effort basis	Tuesday, 14 January 2025
Latest time for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	6:00 p.m. on Monday, 20 January 2025
Latest Time for the termination of the Placing Agreement	4:00 p.m. on Tuesday, 21 January 2025
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain)	Wednesday, 22 January 2025
Despatch of share certificates for the Rights Shares and/or refund cheques (if the Rights Issue is terminated)	Thursday, 23 January 2025
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Friday, 24 January 2025
Payment of Net Gain to relevant No Action Shareholders (if any)	Wednesday, 5 February 2025

Effect of bad weather on the Latest Time for Acceptance

The Latest Time for Acceptance of and payment for Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, or “extreme conditions” caused by super typhoon as announced by the Government of Hong Kong, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on or before 4:00 p.m. on Monday, 6 January 2024, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares from the date of this announcement up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent:

(a) assuming no Vested Share Options are exercised and there is no other change in the shareholding structure of the Company before completion of the Rights Issue

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Jovial Star International Limited (Note 1)	129,453,785	17.24	161,817,231	17.24	129,453,785	13.79
Wide Yield Investment Holding Limited (Note 2)	100,500,000	13.38	125,625,000	13.38	100,500,000	10.70
Zhao Yi Wen (Note 3)	35,575,000	4.74	44,468,750	4.74	35,575,000	3.79
Lu Kailan (Note 4)	34,000	0.00	42,500	0.00	34,000	0.00
Sub-total	265,562,785	35.36	331,953,481	35.36	265,562,785	28.29
Places	—	—	—	—	187,763,696	20.00
Other public Shareholders	485,492,000	64.64	606,865,000	64.64	485,492,000	51.71
Total	751,054,785	100.00	938,818,481	100.00	938,818,481	100.00

(b) assuming all Vested Share Options are exercised in full on or before the Record Date and there is no other change in the shareholding structure of the Company before completion of the Rights Issue

Name of Shareholders	As at the date of this announcement		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming no acceptance by any Qualifying Shareholder and all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Jovial Star International Limited (Note 1)	129,453,785	17.02	161,817,231	17.02	129,453,785	13.62
Wide Yield Investment Holding Limited (Note 2)	100,500,000	13.22	125,625,000	13.22	100,500,000	10.57
Zhao Yi Wen (Note 3)	35,575,000	4.68	44,468,750	4.68	35,575,000	3.74
Lu Kailan (Note 4)	34,000	0.00	42,500	0.00	34,000	0.00
Sub-total	265,562,785	34.92	331,953,481	34.92	265,562,785	27.94
Placeses	—	—	—	—	190,110,258	20.00
Other public Shareholders	494,878,250	65.08	618,597,812	65.08	494,878,250	72.06
Total	760,441,035	100.00	950,551,293	100.00	950,551,293	100.00

Notes:

1. Jovial Star International Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Zhan Haisu.
2. 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.
3. The 35,575,000 Shares in which Mr. Zhao Yi Wen is interested consist of 21,500,000 Shares held by First Global Limited, a company wholly owned by Mr. Zhao Yi Wen, in which Mr. Zhao Yi Wen is deemed to be interested under the SFO.
4. Mr. Lu Kailan (formerly known as Mr. Lyu Xiangrong) is an executive Director.
5. The aggregate percentage may not add up to 100% due to rounding.

CHANGE IN BOARD LOT SIZE

The Board has resolved that the board lot size of the Shares for trading on the Stock Exchange will be changed from 1,000 Shares to 5,000 Shares with effect from 9:00 a.m. on Tuesday, 17 December 2024.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole. Shareholders should take note that Shareholders’ approval is not required for the Change in Board Lot Size.

Based on the theoretical ex-rights price of HK\$0.696 per Share (calculated based on the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is HK\$696 which is less than HK\$2,000. Assuming the Change in Board Lot Size becomes effective, the estimated market value of each proposed new board lot is HK\$3,480 which is greater than HK\$2,000 and therefore complies with the requirement set out in the guide.

To alleviate the difficulties in trading odd lots of the Shares arising from the Change in Board Lot Size, a designated broker will be appointed to provide matching services to the Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Tuesday, 17 December 2024 to 4:00 p.m. on Thursday, 9 January 2025 (both days inclusive). Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility. The Company will arrange odd lot matching services in order to facilitate the trading of odd lots. Further details in respect of the odd lots arrangement will be set out in the Prospectus.

All existing share certificates in board lot of 1,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 1,000 Shares to new share certificate in board lot size of 5,000 Shares is necessary.

LISTING RULES IMPLICATIONS

As the proposed Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the Company (i) within the 12 month period immediately preceding the announcement of the proposed Rights Issue or (ii) prior to such 12 month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to Shareholders as part of such rights issues or open offers), the Rights Issue is not conditional upon approval by the Shareholders.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

Subject to the fulfilment of the conditions of the Rights Issue, the Prospectus Documents setting out details of the Rights Issue will be made available to the Qualifying Shareholders on or about Tuesday, 17 December 2024. The Prospectus will be made available to the Non-Qualifying Shareholder(s) (if any) for information only. A copy of the Prospectus will also be made available on the websites of the Company (www.hg-semiconductor.com) and the Stock Exchange (www.hkexnews.hk). Shareholders and potential investors should exercise caution when dealing in the Shares.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue is subject are fulfilled will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Nil-paid Rights. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

DEFINITIONS

Terms used in this announcement have the following meanings unless the context otherwise requires:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as amended from time to time
“Change in Board Lot Size”	the proposed change in board lot size of the issued Shares for trading from 1,000 Shares to 5,000 Shares
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	HG Semiconductor Limited (宏光半導體有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6908)
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“Director(s)”	the director(s) of the Company
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), who are parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Last Trading Day”	12 November 2024, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 6 January 2025 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Tuesday, 21 January 2025 or such later time or date as may be agreed between the Placing Agent and the Company, being the latest time to terminate the Placing Agreement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nil-paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil paid form) before the Subscription Price is paid
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees under the Placing Agreement) under the Compensatory Arrangements
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Issue (whether partially or fully) (under the PAL or their renounces or such person who hold any Nil-paid Rights at the time such Nil-paid Rights lapse) or Non-Qualifying Shareholders (as the case may be)

“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue on account either of legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“Placing”	arrangements to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis pursuant to the Placing Agreement
“Placing Agent”	Kingkey Securities Group Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 12 November 2024 entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be issued by the Company to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 17 December 2024 (or such other date as may be determined by the Company), being the date on which the Prospectus Documents will be made available to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 16 December 2024, the record date for the determination of the entitlements under the Rights Issue
“Registrar”	Boardroom Share Registrars (HK) Limited, the address of which is at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every four (4) Shares in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the paragraph headed “Conditions of the Rights Issue” in this announcement
“Rights Share(s)”	187,763,696 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date) with an aggregate nominal value of HK\$1,877,636.96; or 190,110,258 Rights Shares (assuming there is no change in the total number of issued Shares from the date of this announcement up to and including the Record Date other than the new Shares to be allotted and issued upon the full exercise of the Vested Share Options) with an aggregate nominal value of HK\$1,901,102.58
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	The Security 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
“Share Award(s)”	share award(s) granted by the Company pursuant to the share award scheme of the Company adopted by the Shareholders on 29 December 2023
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted by the Shareholders on 2 December 2016

“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.48 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	such number of Rights Shares in respect of which duly completed PAL(s) have not been lodged for acceptance or not fully paid by the Latest Time for Acceptance
“Vested Share Options”	Share Options to subscribe for an aggregate of 9,386,250 Shares which are exercisable by the holders thereof on or before the Record Date
“%”	per cent.

For the purpose of this announcement, the exchange rate at RMB1.00 = HK\$1.085 has been used, where applicable, for purpose of illustration only.

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

Hong Kong, 12 November 2024

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

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