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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)

LETTER OF INTENT IN RELATION TO POSSIBLE ISSUE OF CONVERTIBLE BONDS

This announcement is made by HG Semiconductor Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that, on 26 September 2022 (after trading hours), the Company and a wholly-owned state-owned investment fund (the “**Possible Investor**”), a third party independent of the Company and its connected persons (as defined in the Listing Rules), entered into a non-legally binding letter of intent (the “**Letter of Intent**”), pursuant to which the Possible Investor intends to subscribe (the “**Subscription**”) for the 3 years, 6% coupon convertible bonds in an aggregate principal amount of up to HK\$314 million convertible into fully paid ordinary shares of the Company (the “**Shares**”) to be issued by the Company (the “**Convertible Bonds**”).

Pursuant to the non-legally binding Letter of Intent, certain indicated principal terms of the Convertible Bonds are summarized below:

Issuer	:	The Company
Convertible Bonds	:	3 years, 6% coupon convertible bonds convertible into the Shares
Issue size	:	Up to HK\$314 million
Coupon	:	6% per annum

- Conversion Price : Not more than HK\$4.0 per conversion share
- Conversion Rights : Bondholder may convert their Convertible Bonds into Shares during the conversion period at the Conversion Price
- Redemption at maturity : All Convertible Bonds which have not been redeemed or converted by the maturity date shall be redeemed by the Company on the maturity date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds
- Designated use of proceeds : The funds raised from the issue of the Convertible Bonds will be used for equity investment in hi technology company(ies). Any change of use of proceeds requires the written consent of the Subscriber
- Conditions precedent : Completion of the subscription of the Convertible Bonds is subject to the satisfaction of, among others, the Possible Investor having obtained all necessary consents and approvals for the Subscription and the transactions contemplated thereunder and conduct due diligence within 60 days from the date of the Letter of Intent; the Possible Investor and the Company will enter into the formal subscription agreement in accordance with the Letter of Intent; and the Listing Committee of the Stock Exchange having approved the listing of, and permission to deal in, the Conversion Shares
- Listing of the Convertible Bonds : No listing application will be made for the listing of the Convertible Bonds on the Stock Exchange

The Board wishes to emphasise that the Subscription is subject to, among other things, the signing of formal agreement(s) and the terms and conditions of which are yet to be agreed. As the Subscription may or may not proceed, shareholders and investors of the Company are advised to exercise with caution when dealing in securities of the Company.

Further announcement will be made by the Company should any legally binding agreement be entered into as and when appropriate.

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

Hong Kong, 26 September 2022

As at the date of this announcement, the executive Directors are Mr. Zhao Yi Wen, Mr. Lyu Xiangrong, Mr. Leung Kin Pang and Ms. Liu Yang; the non-executive Directors are Dr. Wang David Nin-kou and Mr. Wang Jie Chuan; and the independent non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S., Mr. Chan Chung Kik, Lewis and Mr. Li Yang.