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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)**

### **DEBT RESTRUCTURING INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR DEBT CAPITALIZATION**

#### **DEBT RESTRUCTURING**

Reference is made to the MOU Announcement in relation to the entering into of the MOU between the Creditor, the Company, FastPower and Swift Power in respect of the proposal to settle the Indebted Sum in full.

On 31 May 2023 (after trading hour), the Company, FastPower and Swift Power as debtors and the Creditor entered into the Debt Settlement Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe for, a total of 129,453,785 Capitalization Shares at the price of HK\$0.80 per Share in settlement of the Indebted Sum in full. The subscription amount payable by the Creditor under the Debt Settlement Agreement shall be satisfied by capitalising all of the Indebted Sum in the amount of HK\$103,563,028 due from the Borrowers.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion Date, the Capitalization Shares represent (i) approximately 22.26% of the total issued share capital of the Company as at the date of this announcement; (ii) approximately 18.21% of the total issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares; and (iii) approximately 17.24% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares and the Placing Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the Completion other than completion of the Placing in full.

## **LISTING RULES IMPLICATIONS**

The Capitalization Shares will be allotted and issued under the Specific Mandate which are subject to the Shareholders' approval at the EGM. The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Debt Settlement Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Capitalization Shares.

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

## **GENERAL**

A circular containing, among other things, (i) further details of the Debt Settlement Agreement and the transactions contemplated therein; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Completion of the Debt Restructuring is subject to the fulfilment and/or waiver of certain conditions set forth therein and the Stock Exchange granting the listing of and permission to deal in the Capitalization Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **BACKGROUND**

Reference is made to the MOU Announcement in relation to the entering into of the MOU between the Creditor, the Company, FastPower and Swift Power in respect of the proposal to settle the Indebted Sum

On 26 December 2022, the Company, FastPower and Swift Power as Borrowers entered into a loan agreement with the Creditor, pursuant to which the Creditor granted the Secured Loan to the Company at an interest rate of 12% per annum which was due on 30 April 2023. The Secured Loan has been overdue since 30 April 2023 and the Creditor has issued a statutory demand in the Cayman Islands on 3 May 2023 to the Company, pursuant to which the Company has 21 days to either settle the debt, or to make arrangement for the debt with the Creditor.

On 23 May 2023, the Borrowers entered into the MOU with the Creditor in relation to the Debt Restructuring to settle the Indebted Sum.

On 31 May 2023 (after trading hour), the Company, FastPower, Swift Power as the debtors, and the Creditor entered into the Debt Settlement Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Creditor has conditionally agreed to subscribe for, a total of 129,453,785 Capitalization Shares at the price of HK\$0.80 per Share in settlement of the Indebted Sum. The principal terms of the Debt Settlement Agreement are set out as below:

## **DEBT SETTLEMENT AGREEMENT**

### **Date**

31 May 2023

### **Parties**

Borrowers: the Company, FastPower and Swift Power

Issuer: the Company

Creditor and Subscriber: the Creditor

The Creditor is a company incorporated in the British Virgin Islands with limited liability. Mr. Zhan is the ultimate beneficiary owner of the Creditor. Mr. Zhan has extensive financial and asset management experience in the PRC including investments in start-ups companies in various industries in the PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditor and its ultimate beneficial owner are Independent Third Parties.

### **Confirmation of the Indebted Sum**

Pursuant to the Debt Settlement Agreement, the parties agree and confirm that the total amount owed by the Borrowers to the Creditor under the Loan Agreement is HK\$103,563,028.

### **Capitalization of the Indebted Sum**

Pursuant to the Debt Settlement Agreement, the Company will issue the Capitalization Shares to the Creditor at the Subscription Price as full settlement of the Indebted Sum. Based on the Indebted Sum of HK\$103,563,028 and the Subscription Price of HK\$0.80, the Company shall allot and issue the 129,453,785 Capitalization Shares to the Creditor (or its designated person) to settle the Indebted Sum.

On Completion date, all amounts owed by the Borrowers to the Creditor under the Loan Agreement (including but not limited to the principal amount of the respective loan, interest accrued thereon, default interest and expenses to be borne by the Borrowers under the Loan Agreement) shall be deemed to have been repaid and satisfied in full.

## **Capitalization Shares**

An aggregate of 129,453,785 new Shares will be issued under the Capitalization.

The Capitalization Shares represent (i) approximately 22.26% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 18.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the Completion; and (iii) approximately 17.24% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalization Shares and the Placing Shares, assuming there will be no change in the number of issued share capital of the Company from the date of this announcement and up to the Completion other than completion of the Placing in full.

The Capitalization Shares have an aggregate nominal value of HK\$1,294,537.85.

## **Subscription Price**

The Subscription Price of HK\$0.80 per Capitalization Share, represents:

- (a) a discount of approximately 25.23% to the closing price of HK\$1.07 per Share as quoted on the Stock Exchange on 23 May 2023, being the date on which the Company and the Creditor conditionally agreed on the principal terms of the Debt Restructuring by way of the MOU;
- (b) a discount of approximately 57.67% to the closing price of HK\$1.89 per Share as quoted on the Stock Exchange on 31 May 2023, being the date of Debt Settlement Agreement;
- (c) a discount of approximately 48.05% to the average closing price of HK\$1.54 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of Debt Settlement Agreement;
- (d) a discount of approximately 39.85% to the average closing price of HK\$1.33 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to the date of Debt Settlement Agreement;
- (e) a discount of approximately 33.88% to the average closing price of HK\$1.21 per Share as quoted on the Stock Exchange for the last thirty (30) trading days immediately prior to the date of Debt Settlement Agreement; and
- (f) a discount of approximately 29.20% to the net asset value per Share of approximately HK\$1.13 (based on the latest published audited net assets attributable to owners of the Company of approximately RMB593,754,000 (equivalent to approximately HK\$659,066,940) as at 31 December 2022 and 581,601,000 Shares in issue as at 31 December 2022).

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Creditor having considered and with reference to (i) the Indebted Sum being overdue and the Creditor having issued the Statutory Demand and the fact that the Capitalization is the only feasible

way of implementing the Debt Restructuring; (ii) the recent trading prices of the Shares prior to and the price of the Shares on the date of signing the MOU; (iii) the net asset value per Share of approximately HK\$1.13 as at 31 December 2022; (iv) the financial position of the Group; and (v) the current equity capital market conditions. Having considered the above basis of determining the Subscription Price, in particular, the facts that the Capitalization represents the only feasible way of implementing the Debt Restructuring and the Subscription Price was agreed to be determined by reference to the price of the Shares on the date of the MOU, the Directors consider that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

The Capitalization involves the capitalization of the Indebted Sum into a total of 129,453,785 Capitalization Shares at the Subscription Price of HK\$0.80 per Share, and the Company will use its internal resources to settle the professional fees and all other related expenses which may be borne by the Company in connection with the Capitalization. The net issue price per Capitalization Share will be HK\$0.80.

There will be no proceeds arising from the issue of the Capitalization Shares as the aggregate amount of the Subscription Price will be set off against the Indebted Sum owing by the Borrowers to the Creditor on a dollar to dollar basis.

### **Conditions Precedent**

Completion is conditional upon the fulfilment (or, where applicable, waiver) of the following Conditions Precedent:

- (1) each of the Borrowers has provided the Creditor with a copy of the resolutions of its directors approving the Debt Settlement Agreement and the transactions contemplated by the Debt Settlement Agreement, which shall be certified as true and complete by one of its directors;
- (2) the Creditor has provided the Borrowers with a copy of the resolution of its directors approving the Debt Settlement Agreement and the transactions contemplated hereby, which shall be certified as true and complete by one of its directors;
- (3) the Company has obtained in accordance with the relevant requirements of the Listing Rules at the EGM to be convened the necessary approval from the Shareholders for the Debt Settlement Agreement and the transactions contemplated under the Debt Settlement Agreement including but not limited to the authorization to the Directors to issue and allot the Capitalization Shares to the Creditor (or its designated person) at the Subscription Price by way of the Specific Mandate;
- (4) the Listing Committee of the Stock Exchange has granted approval for the listing of, and permission to deal in, the Capitalization Shares on the Stock Exchange;
- (5) the Creditor has provided the Borrower with an application for shares duly completed and signed by the Creditor (or its designated person) in respect of the Capitalization Shares; and

(6) the Borrowers are not in material breach of any representation or warranty made by them pursuant to the Debt Settlement Agreement.

The Borrowers undertake to use their best and reasonable endeavours to procure the satisfaction of the Conditions Precedent set out above (other than those set out in sub-paragraph (2) and (5)) on or before the Long Stop Date. The Creditor undertakes to use its best and reasonable endeavours to procure the satisfaction of the Conditions Precedent set out in sub-paragraphs (2) and (5) on or before the Completion Date. Neither the Borrowers or the Creditor shall be entitled to waive any of the Conditions Precedent except that the Creditor shall be entitled to waive in writing the Conditions Precedent set out in sub-paragraph (6) at any time on or before the Long Stop Date.

If any of the Conditions Precedent has not been satisfied (or, if applicable, waived) in full by the Long Stop Date, the Creditor may terminate the Debt Settlement Agreement by written notice to the Borrowers after the Long Stop Date, whereupon the rights and obligations of the Borrowers and the Creditor under the Debt Settlement Agreement shall forthwith cease and terminate (other than the terms in relation to, among others, Conditions Precedent, confidentiality, fees, notice and applicable law and jurisdiction). Neither party shall have any claim against the other party in respect of the Debt Settlement Agreement, provided that it shall not prejudice or affect any right of either party under the Debt Settlement Agreement to pursue any breach of any term of the Debt Settlement Agreement by the other party prior to the termination of the Debt Settlement Agreement. The Creditor shall continue to reserve its right under the Statutory Demand to demand the settlement of all debts due by the Borrowers and the default interest on the Loan shall continue to accrue.

### **Completion**

Completion will take place after five (5) Business Days upon the satisfaction (or, if applicable, waiver) of all the Conditions Precedent or such other date as the parties may agree in writing.

### **Ranking of the Capitalization Shares**

The Capitalization Shares, when fully paid, will rank *pari passu* in all respects with the Shares in issue on the Completion date, including the right to any dividends or distributions the record date of which falls on or after the date of allotment.

## FUND-RAISING EXERCISES IN THE PAST 12 MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
23 May 2023	Placing of 40,000,000 new Shares at the placing price of HK\$0.90 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 23 May 2023	Approximately HK\$35.1 million	<p>(i) as to approximately HK\$17.55 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and</p> <p>(ii) as to approximately HK\$17.55 million for provision of general working capital and improving the financial position of the Group.</p>	Not yet completed
13 September 2022	Placing of 8,582,000 new Shares at the placing price of HK\$3.20 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 13 September 2022	Approximately HK\$26.8 million	<p>(i) as to approximately HK\$22.3 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and</p>	(i) fully utilised as intended.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
			(ii) as to approximately HK\$4.5 million for provision of general working capital and improving the financial position of the Group.	(ii) fully utilised as intended.
5 August 2022	Placing of 9,428,000 new Shares at the placing price of HK\$3.20 pursuant to the placing agreement entered into between the Company and VC Brokerage Limited as placing agent dated 4 August 2022	Approximately HK\$29.4 million	(i) as to approximately HK\$24.5 million for strengthening research and development capabilities of LED, Mini LED, fast charging, GaN devices and related semiconductor products, which includes setting up of research and development centers, recruitment of research and development professionals, and the procurement of equipments and materials with an aim to develop and/or capture patent and technology; and  (ii) as to approximately HK\$4.9 million for provision of general working capital and improving the financial position of the Group.	(i) fully utilised as intended.  (ii) fully utilised as intended.

## REASONS AND BENEFITS FOR THE DEBT RESTRUCTURING

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

As the date of this announcement, the Indebted Sum owing by the Borrowers to the Creditor is HK\$103,563,028, which represents the aggregate amount of the principal amount and interests accrued up to the date of the Debt Settlement Agreement. The Secured Loan bears an interest rate of 12% per annum and a default interest rate of 24% per annum. The Secured Loan has been due on 30 April 2023 and the Borrowers have failed to repay the amount payable under the Loan Agreement.



The Company has been using its best effort to negotiate with the Creditor in respect of any acceptable arrangement for settlement of the Secured Loan. On 3 May 2023, the Creditor issued the Statutory Demand in the Cayman Islands to the Company, pursuant to which the Company has 21 days to either settle the debt, or to make arrangement for the debt with the Creditor. The Directors consider that failing to settle the debt upon the expiry of the 21 days' period under the Statutory Demand will expose the Company to a risk of being put in liquidation.

As mentioned in above section headed "Fund-raising Exercises in the Past 12 Months", the net proceeds raised in the previous placing exercises completed in August and September 2022 have been fully utilized. The Directors consider that, while the Group is able to maintain sufficient cash and liquidity for its business operation and working capital requirement, the Company does not have sufficient internal resources to settle the Indebted Sum.

The Debt Restructuring offers the Group with a valuable chance of reaching a full settlement of its outstanding debt without utilizing existing financial resources of the Company and exerting additional pressure on the tight cashflow position of the Group. The Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to preserve as much liquidity as possible in order to maintain the Group's financial and liquidity position for its business operation and development.

The Directors have considered other alternative financing methods to settle the Indebted Sum. For debt financing, having considered the substantial amount of the Indebted Sum, the consecutive losses position of the Group for the past two financial years and the lack of security for arranging any possible debt financing, the Directors considered that the Group is not in a feasible position to obtain further debt financing for the settlement of the Indebted Sum. The increasing trend of the interest rate in the debt market will also increase the interest burden of the Group. In respect of equity fund raising, given the substantial amount of the Indebted Sum, the recent weak sentiment of the stock market and the difficult economic environment, it is difficult to procure an underwriter for rights issue or open offer or a placing agent for share placement which is able to raise sufficient funding for the settlement of the Indebted Sum. Rights issue and open offer also require a longer time period to complete the legal documentations and the administrative procedures which may not be able to satisfy the Statutory Demand on time.

Although the allotment and issue of the Capitalization Shares will have a dilution effect to the existing Shareholders, having considered (i) the capitalization of the Indebted Sum can discharge the repayment and settlement obligations of the Company; and (ii) the Capitalization Shares, when allotted and issued, will be recognized entirely as equity of the Company which in turn will enlarge the capital base, and accordingly, strengthen the financial position of the Group, the Directors are of the view that the Capitalization is the only feasible way and the most appropriate means of implementing the Debt Restructuring.

In view of the above, the Directors consider that the terms of the Debt Settlement Agreement and the Capitalization are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

To the best of the Directors' knowledge, information and belief after having made all reasonable enquires, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after Completion; and (iii) immediately after Completion assuming the Placing has been completed:

Shareholders	As at the date of this announcement		Immediately after the Completion		Immediately after the Completion assuming the Placing has been completed	
	Number of issued Shares	Approximate percentage	Number of issued Shares	Approximate percentage	Number of issued Shares	Approximate percentage
<b>Director</b>						
Mr. Lyu Xiangrong	834,000	0.14%	834,000	0.12%	834,000	0.11%
Cao Yu	50,000	0.01%	50,000	0.01%	50,000	0.01%
<b>Sub-total</b>	<b>884,000</b>	<b>0.15%</b>	<b>884,000</b>	<b>0.13%</b>	<b>884,000</b>	<b>0.12%</b>
<b>Substantial Shareholders</b>						
Wide Yield Investment Holding Limited (Note 1)	100,500,000	17.28%	100,500,000	14.13%	100,500,000	13.38%
First Global Limited (Note 2)	56,500,000	9.71%	56,500,000	7.95%	56,500,000	7.52%
The Creditor	—	—	129,453,785	18.21%	129,453,785	17.24%
<b>Sub-total</b>	<b>157,000,000</b>	<b>26.99%</b>	<b>288,119,711</b>	<b>40.29%</b>	<b>286,453,785</b>	<b>38.14%</b>
<b>Public Shareholders</b>	<b>423,717,000</b>	<b>72.85%</b>	<b>423,717,000</b>	<b>59.59%</b>	<b>463,717,000</b>	<b>61.74%</b>
<b>Total</b>	<b>581,601,000</b>	<b>100.00%</b>	<b>711,054,785</b>	<b>100%</b>	<b>751,054,785</b>	<b>100.00%</b>

Note:

- Wide Yield Investment Holding Limited is wholly owned by Ms. Qin Anqi, and therefore Ms. Qin Anqi is deemed to be interested in the 100,500,000 Shares held by Wide Yield Investment Holding Limited under the SFO.
- First Global Limited is wholly owned by Mr. Zhao Yi Wen who is the chairman of the Board and an executive Director, and therefore Mr. Zhao Yi Wen and his spouse Ms. Zhuang Chan Ling are deemed to be interested in the 56,500,000 Shares held by First Global Limited under the SFO.
- The aggregate percentage may not add up to 100% due to rounding.

## LISTING RULES IMPLICATIONS

The Capitalization Shares will be allotted and issued under the Specific Mandate which are subject to the Shareholders' approval at the EGM. The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Debt Settlement Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Capitalization Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, as no Shareholder has a material interest in the Debt Settlement Agreement and transactions contemplated thereunder and therefore, no Shareholder will be required to abstain from voting at the EGM to approve the relevant resolution(s) regarding the Debt Settlement Agreement and the Specific Mandate.

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

## GENERAL

A circular containing, among other things, (i) further details of the Debt Settlement Agreement and the transactions contemplated therein; and (ii) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules.

**Completion of the Debt Restructuring is subject to the fulfilment and/or waiver of certain conditions set forth therein and the Stock Exchange granting the listing of and permission to deal in the Capitalization Shares, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Business Day”	a day(s) (other than a Saturday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 p.m. and is not lowered at or before 12:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 p.m. and is not discontinued at or before 12:00 p.m.) on which licensed banks in Hong Kong are generally open for normal banking business
“Board”	the board of Directors
“Borrowers”	the Company and its two wholly-owned subsidiaries, namely FastPower and Swift Power

“Capitalization”	the capitalization of the Indebted Sum (equivalent to approximately HK\$103,563,028) into 129,453,785 Capitalization Shares at a subscription price of HK\$0.80 per Capitalization Share pursuant to the Debt Settlement Agreement
“Capitalization Shares”	129,453,785 new Shares to be allotted and issued to the Creditor (or its designated person) by way of the Capitalization at the Subscription Price pursuant to the Debt Settlement Agreement
“Company”	HG Semiconductor Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 6908)
“Completion”	completion of the Debt Settlement Agreement
“Conditions Precedent”	the conditions precedent to Completion as set out in the Debt Settlement Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditor”	Jovial Star International Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Zhan
“Debt Restructuring”	a debt restructuring plan to settle the Indebted Sum by Capitalization
“Debt Settlement Agreement”	the debt settlement agreement dated 31 May 2023 entered into between the Borrowers and the Creditor in respect of the Debt Restructuring
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, among other things, and if thought fit, approving the Debt Settlement Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate
“FastPower”	FastPower Holding Limited, a company incorporated in British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company and one of the borrowers for the Indebted Sum
“Group”	the Company and its subsidiaries
“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

“Indebted Sum”	the total sum of approximately HK\$103,563,028, being the aggregate outstanding principal amount and the interests accrued thereunder owed by the Group to the Creditor as at 31 May 2023, and is subject to the Capitalization
“Independent Third Party(ies)”	Party(ies) independent of the Company and its connected persons
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 26 December 2022 entered between the Borrowers and the Creditor in respect of the granting of the Secured Loan which was due on 30 April 2023
“Long Stop Date”	31 August 2023 or such later date as the parties may agree in writing
“MOU”	the memorandum of understanding dated 23 May 2023 entered between the creditor, the Company, FastPower and Swift Power in relation to the proposal to settle the Indebted Sum
“MOU Announcement”	the announcement of the Company dated 23 May 2023 in relation to, among others, the entering into of the MOU in relation to the settlement of the Indebted Sum
“Mr. Zhan”	Mr. Zhan Haisu (詹海粟先生), being the ultimate controlling shareholder of the Creditor
“Placing”	the placing of up to 40,000,000 new Shares under general mandate pursuant to the terms of the placing agreement entered into between the Company and VC Brokerage Limited as the placing agent on 23 May 2023, details of which are set out in the announcement of the Company dated 23 May 2023 in relation thereto
“Placing Shares”	the issue of up to 40,000,000 new Shares under the Placing
“PRC”	the People’s Republic of China, which for the sole purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Secured Loan”	the loan granted by the Creditor to the Borrowers in the aggregate principal amount of HK\$98,290,446.45 pursuant to the Loan Agreement which is secured by the charges over the entire shareholding of three subsidiaries of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Specific Mandate”	the specific mandate to allot, issue and deal with the Capitalization Shares, which is to be proposed to be sought from the Shareholders at the EGM
“Statutory Demand”	the statutory demand issued by the Creditor in the Cayman Islands on 3 May 2023 to the Company, pursuant to which the Company has 21 days to either settle the debt, or to make arrangement for the debt with the Creditor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.80 per Capitalization Share
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Swift Power”	Swift Power Limited, a company incorporated in Hong Kong with limited liability, which is the indirect wholly-owned subsidiary of the Company and one of the borrowers for the Indebted Sum
“%”	per cent.

*For illustration purpose, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1= HK\$1.11. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.*

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

Hong Kong, 31 May 2023

*As at the date of this announcement, the Executive Directors are Mr. Zhao Yi Wen, Dr. Xu Zhihong, Dr. Cao Yu, Mr. Lyu Xiangrong, Mr. Leung Kin Pang and Dr. Chen Zhen; the Non-executive Director is Dr. Wang David Nin-kou; and the Independent Non-executive Directors are Professor Chow Wai Shing, Tommy, Mr. Wu Wing Kuen, B.B.S., Mr. Chan Chung Kik, Lewis and Mr. Li Yang.*

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