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## **HUA HONG SEMICONDUCTOR LIMITED**

**華虹半導體有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1347)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE RENEWAL OF THE PROPERTY MANAGEMENT AGREEMENT WITH HUAJIN PROPERTY MANAGEMENT AND PROPOSED NEW ANNUAL CAPS**

Reference is made to the announcement dated 31 December 2019 of the Company in relation to, inter alia, the continuing connected transactions (i) between the Group and Huahong Real Estate under the Huahong Real Estate Lease and (ii) between the Group and Huajin Property Management under the Old Huajin Management Agreement.

The Old Huajin Management Agreement will expire on 31 December 2020. As the Group intends to continue carrying out such transactions with Huajin Property Management in the ordinary and usual course of business, the Group entered into the 2021 Huajin Management Agreement with Huajin Property Management on 31 December 2020. The 2021 Huajin Management Agreement shall take effect from 1 January 2021 to 31 December 2022.

Accordingly, the Company has proposed new annual caps for the transactions under the 2021 Huajin Management Agreement for the two years ending 31 December 2022.

#### **LISTING RULES IMPLICATIONS**

As of the date of this announcement,

- (i) Huahong Real Estate is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary of the Company; and
- (ii) Huajin Property Management is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary of the Company.

Accordingly, each of Huahong Real Estate and Huajin Property Management is a connected person of the Company, and the transactions contemplated under the Huahong Real Estate Lease and the 2021 Huajin Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since Huahong Real Estate and Huajin Property Management are connected persons of the Company by virtue of their relationships with the Group and the Group's transactions with these entities, being the leasing and management for the Dormitory Premises, are of a similar nature, the transactions under the Huahong Real Estate Lease and the transactions under the 2021 Huajin Management Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the existing annual caps in respect of the transactions under the Huahong Real Estate Lease (as set out in the Announcements) and the proposed new annual caps in respect of the transactions under the 2021 Huajin Management Agreement are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed new annual caps under the Huahong Real Estate Lease and the 2021 Huajin Management Agreement is, on an annual basis, above 0.1% but below 5%, the transactions contemplated thereunder are classified as connected transactions under Rule 14A.76(2) of the Listing Rules and are only subject to the reporting, annual review and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As of the date of this announcement, none of the Directors has material interest in the above transactions or was required to abstain from voting at the Board meeting.

## **LEASING AND MANAGEMENT TRANSACTIONS WITH HUAHONG REAL ESTATE AND HUAJIN PROPERTY MANAGEMENT**

### **2021 Huajin Management Agreement**

The Old Huajin Management Agreement will expire on 31 December 2020. As the Group intends to continue carrying out such transactions with Huajin Property Management in the ordinary and usual course of business, the Group entered into the 2021 Huajin Management Agreement with Huajin Property Management on 31 December 2020. The 2021 Huajin Management Agreement shall take effect from 1 January 2021 to 31 December 2022.

Date: 1 January 2021

Parties: (i) The Group; and  
(ii) Huajin Property Management

Term: Effective from 1 January 2021 to 31 December 2022.

Nature of transactions: The Group will engage Huajin Property Management to provide property management services for the Dormitory Premises. The total gross floor area of the Dormitory Premises is 17,412.87 square meters.

Pricing basis: The parties have agreed the annual management fee to be approximately RMB1,640,000, which includes a basic monthly fee of RMB6.48 per square meter of the Dormitory Premises, together with security fees and maintenance fees, which is determined after arm's length negotiation with reference to management fee rates for similar and comparable buildings to the Dormitory Premises.

## Reasons for entering into the 2021 Huajin Management Agreement

Given (i) the Dormitory Premises are in an ideal location in close proximity with the Group's principal place of business and (ii) the importance of the Dormitory Premises housing the Group's employees and providing staff quarters to the Group, the Directors considered that it is both essential and beneficial for the Group to enter into the 2021 Huajin Management Agreement with Huajin Property Management.

The Directors (including the Independent Non-Executive Directors) consider that the 2021 Huajin Management Agreement are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group.

## Historical amounts and the existing annual caps

The table below sets out the historical transaction amounts paid by the Group to Huajin Property Management under the Huahong Real Estate Lease and Old Huajin Management Agreement during the period indicated below and the respective existing annual caps:

*(Unit: RMB'000)*

Transaction amounts	For the year ended 31 December 2018 (audited)	For the year ended 31 December 2019 (audited)	For the six months ended 30 June 2020 (unaudited)
The Huahong Real Estate Lease	11,186	11,198	5,736
The Old Huajin Management Agreement	1,502	1,502	751
Sub-total	<u>12,688</u>	<u>12,700</u>	<u>6,481</u>
Existing annual caps	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
The Huahong Real Estate Lease	14,000	14,000	14,000
The Old Huajin Management Agreement	2,000	N/A	N/A
Sub-total	<u>16,000</u>	<u>14,000</u>	<u>14,000</u>

## Proposed new annual caps

The Board proposes that the below annual caps be set for the transactions with Huajin Property Management under 2021 Huajin Management Agreement in respect of the two years ending 31 December 2022.

Transaction	For the year ending 31 December 2021	For the year ending 31 December 2022
The Huahong Real Estate Lease (existing)	14,000	14,000
The 2021 Huajin Management Agreement (new)	2,000	2,000
Sub-total	<u>16,000</u>	<u>16,000</u>

In arriving at the above proposed new annual caps, the Directors considered the management fee payable for the two years ending 31 December 2022 under the 2021 Huajin Management Agreement, which have been determined after arm's length negotiation with reference to (i) the actual historical transaction amounts for the two and a half years ending 30 June 2020 under the Huahong Real Estate Lease and the Old Huajin Management Agreement and (ii) the management fee rates for such similar and comparable buildings.

### **Aggregation of annual caps**

Since Huahong Real Estate and Huajin Property Management are connected persons of the Company by virtue of their relationships with the Group and the Group's transactions with these entities, being the leasing and management for the Dormitory Premises, are of a similar nature, the transactions under the Huahong Real Estate Lease and the transactions under the 2021 Huajin Management Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the existing annual caps in respect of the transactions under the Huahong Real Estate Lease and the proposed new annual caps in respect of the transactions under the 2021 Huajin Management Agreement are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE COMPANY AND THE COUNTERPARTIES**

### **The Company**

The Company primarily focuses on embedded non-volatile memory, power discrete, analog & power management, logic & RF and other specialty technology manufacturing platforms.

### **Huahong Real Estate**

Huahong Real Estate is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary of the Company. Huahong Real Estate's principal business is real estate development, operation, property management, interior design, construction, sales of building material and management of car parks of real estate projects.

### **Huajin Property Management**

Huajin Property Management is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary. Huajin Property Management's principal business is in property management.

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement,

- (i) Huahong Real Estate is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary of the Company; and

- (ii) Huajin Property Management is a wholly-owned subsidiary of Huahong Technology Development, a company 50% held by and consolidated with Huahong Group, a controlling shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary of the Company.

Accordingly, each of Huahong Real Estate and Huajin Property Management is a connected person of the Company, and the transactions contemplated under the Huahong Real Estate Lease and the 2021 Huajin Management Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since Huahong Real Estate and Huajin Property Management are connected persons of the Company by virtue of their relationships with the Group and the Group's transactions with these entities, being the leasing and management for the Dormitory Premises, are of a similar nature, the transactions under the Huahong Real Estate Lease and the transactions under the 2021 Huajin Management Agreement will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the existing annual caps in respect of the transactions under the Huahong Real Estate Lease (as set out in the Announcements) and the proposed new annual caps in respect of the transactions under the 2021 Huajin Management Agreement are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed new annual caps under the Huahong Real Estate Lease and the 2021 Huajin Management Agreement is, on an annual basis, above 0.1% but below 5%, the transactions contemplated thereunder are classified as connected transactions under Rule 14A.76(2) of the Listing Rules and are only subject to the reporting, annual review and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As of the date of this announcement, none of the Directors has material interest in the above transactions or was required to abstain from voting at the Board meeting.

## **DEFINITIONS**

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

“Announcements”	the announcements of the Company dated 28 December 2016, 27 December 2017 and 31 December 2019
“Board”	the board of directors of the Company
“Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability on 21 January 2005, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Dormitory Premises”	dormitory premises situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC
“Group”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries (or became such associated companies of the Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“HHGrace”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a company incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronics Co., Ltd. and renamed as Shanghai Huahong (Group) Co., Ltd, in 1998, and a controlling shareholder of the Company
“Huahong Real Estate”	Shanghai Huahong Real Estate Co., Ltd. (上海華虹置業有限公司), a company incorporated in the PRC on 28 October 2011, a wholly-owned subsidiary of Huahong Technology Development, and a connected person of the Company
“Huahong Real Estate Lease”	the lease agreement entered into between the Group and Huahong Real Estate on 10 January 2013, supplemented by a supplemental agreement entered into on 10 June 2014, pursuant to which the Group leased the Dormitory Premises from Huahong Real Estate for a term of 20 years effective from 1 January 2014
“Huajin Property Management”	Huajin Property Management Co., Ltd (上海華錦物業管理有限公司), a company incorporated in the PRC on 8 June 2012, a wholly-owned subsidiary of Huahong Technology Development, and a connected person of the Company
“Huahong Technology Development”	Shanghai Huahong Technology Development Co., Limited (上海華虹科技發展有限公司), a company incorporated in the PRC on 10 May 2010, a company 50% held by and consolidated with Huahong Group and 50% held by HHGrace, and a connected person
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



“Old Huajin Management Agreement”	the management agreement entered into between the Group and Huajin Property Management on 10 June 2014 and subsequently renewed on 1 January 2017, 1 January 2018 and 1 January 2020 (the details of renewals were disclosed in the Announcements), pursuant to which the Group has engaged Huajin Property Management to provide property management service
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan)
“Prospectus”	the Company’s prospectus dated 3 October 2014
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“USD”	United States dollar, the lawful currency of United States
“2021 Huajin Management Agreement”	the management agreement to entered into between the Group and Huajin Property Management to take effect on 1 January 2021, pursuant to which the Group will engage Huajin Property Management to provide property management service
“%”	per cent

By order of the Board  
**Hua Hong Semiconductor Limited**  
**Mr. Suxin Zhang**  
*Chairman and Executive Director*

Hong Kong, 31 December 2020

*As of the date of this announcement, the directors of the Company are:*

***Executive Directors***

Suxin Zhang (*Chairman*)  
Junjun Tang (*President*)

***Non-Executive Directors***

Guodong Sun  
Jing Wang  
Jun Ye

***Independent Non-Executive Directors***

Stephen Tso Tung Chang  
Kwai Huen Wong, JP  
Long Fei Ye