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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 HUAHONG GROUP FRAMEWORK AGREEMENT

Reference is made to the Announcements of the Company (i) dated 27 September 2019 and 12 November 2019 in relation to the Foundry Services Agreement, (ii) dated 31 December 2019, 30 July 2021 and 5 August 2021 in relation to the Huahong Zealcore Sales Agreement and the Huahong Zealcore Purchase Agreement and (iii) dated 24 August 2021 in relation to the Hongri Purchase Agreement and the Hongri Sales Agreement.

THE HUAHONG GROUP FRAMEWORK AGREEMENT

On 31 December 2021, the Company and Huahong Group entered into the Huahong Group Framework Agreement, pursuant to which, as part of the Company's ordinary course of business from the period commencing on 1 January 2022 to 31 December 2022 (both dates inclusive), (i) the Group has agreed to sell semiconductor products to Huahong Group Companies; (ii) the Group has agreed to purchase commodities and semiconductor products from Huahong Group Companies; and (iii) Huahong Group Companies have agreed to provide the Foundry Services and the General Supporting Services.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huahong Group is a substantial shareholder of the Company. Therefore, Huahong Group and Huahong Group Companies, including Shanghai Huali, Hongri and Huahong Zealcore, are connected persons of the Company. Accordingly, the Huahong Group Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Purchase Transactions Annual Cap, the Sales Transactions Annual Cap and the Services Annual Cap is above 0.1% but below 5%, the continuing connected transactions contemplated under the Huahong Group Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the Announcements of the Company (i) dated 27 September 2019 and 12 November 2019 in relation to the Foundry Services Agreement, (ii) dated 31 December 2019, 30 July 2021 and 5 August 2021 in relation to the Huahong Zealcore Sales Agreement and the Huahong Zealcore Purchase Agreement and (iii) dated 24 August 2021 in relation to the Hongri Purchase Agreement and the Hongri Sales Agreement.

THE HUAHONG GROUP FRAMEWORK AGREEMENT

The Board is pleased to announce that on 31 December 2021, the Company and Huahong Group entered into the Huahong Group Framework Agreement, pursuant to which, as part of the Company's ordinary course of business, (i) the Group has agreed to sell semiconductor products to Huahong Group Companies; (ii) the Group has agreed to purchase commodities and semiconductor products from Huahong Group Companies; and (iii) Huahong Group Companies have agreed to provide the Foundry Services and the General Supporting Services.

Principal terms of the Huahong Group Framework Agreement

Date:	31 December 2021
Parties:	(i) The Company (on behalf of the Group); and (ii) Huahong Group (on behalf of Huahong Group Companies)
Term:	A term of one year from 1 January 2022 to 31 December 2022 (both dates inclusive)
Nature of transactions:	(i) Sales to Huahong Group Companies <ul style="list-style-type: none">The Group has agreed to sell semiconductor products, including IC, to Huahong Group Companies as part of the Company's ordinary course of business. (ii) Purchases from Huahong Group <ul style="list-style-type: none">The Group has agreed to purchase semiconductor products, (including wafers), chemicals and other commodities from Huahong Group Companies as part of the Company's ordinary course of business. (iii) Services provided by Huahong Group Companies <ul style="list-style-type: none">Huahong Group Companies have agreed to provide the Foundry Services and the General Supporting Services to the Group as part of the Company's ordinary course of business.
Payment arrangement:	(i) Sales to and purchase from Huahong Group Companies, and services (except Foundry Services) provided by Huahong Group Companies <ul style="list-style-type: none">Each transaction under the Huahong Group Framework Agreement will be confirmed by a purchase order or an invoice between the parties.

(ii) Foundry Services provided by Shanghai Huali to Hua Hong Wuxi

- With respect to the Process Service:
 - (1) Shanghai Huali shall issue a quotation setting out the technological specifications required by Hua Hong Wuxi, unit price of the wafer, delivery method and payment terms;
 - (2) Hua Hong Wuxi shall incorporate Shanghai Huali's quotation into the consolidated quotation issued by Hua Hong Wuxi to Hua Hong Wuxi's ultimate client for their confirmation;
 - (3) Upon agreement of the terms stated in the quotation, Hua Hong Wuxi shall place a formal purchase order with Shanghai Huali; and
 - (4) Hua Hong Wuxi shall make the payment in full to Shanghai Huali by the time stipulated in the quotation.
- With respect to the Engineering Wafer Service:
 - (1) Shanghai Huali shall issue a quotation setting out the technological specifications required by Hua Hong Wuxi, unit price of the wafer, delivery method and payment terms;
 - (2) Upon agreement of the terms stated in the quotation, Hua Hong Wuxi shall place a formal purchase order with Shanghai Huali; and
 - (3) Hua Hong Wuxi shall make the payment in full to Shanghai Huali by the time stipulated in the quotation.

Pricing basis of sales transactions

Although it is not part of the terms of the Huahong Group Framework Agreement, the Group follows its price quotation management system under its relevant internal standard operating procedure to determine the sales prices of the products under the Huahong Group Framework Agreement. The price quotation management system requires the relevant internal sales team of the Group to consider and evaluate various factors including the business objectives, strategy and operational factors of the Group on an ongoing basis. In particular, in determining the sales prices of such products, the relevant internal sales team of the Group considers the costs of the products, the prices of comparable products offered by at least two independent third party competitors in the market and the consumers' likely perception of the values of the products.

As the specifications of the ICs and other semiconductor products sold to Huahong Group Companies under the Huahong Group Framework Agreement are customized to meet the specific requirements of end customers, the actual demand of the end customers of Huahong Group Companies and the development of the chips application industry in the PRC will also affect the determination of the sales prices for such products.

The Group also adheres strictly to its internal approval procedure under the price quotation management system for the pricing of such products which applies equally to independent third party customers as well as its connected persons to ensure that the sales transactions under the Huahong Group Framework Agreement shall be conducted on normal commercial terms. The relevant internal sales team of the Group will review the sales prices of the products under the Huahong Group Framework Agreement on a regular and ongoing basis.

Pricing basis of purchase transactions

The purchase prices payable by the Group under the Huahong Group Framework Agreement are determined with reference to the market prices of comparable products which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for identical or comparable products.

Although it is not part of the terms of the Huahong Group Framework Agreement, the Group follows its relevant internal standard operating procedure to determine the purchase prices of the products under the Huahong Group Framework Agreement. The internal standard operating procedure requires the procurement team of the Group to collect the relevant market information (e.g. costs and qualities of identical or comparable products, services and reputations of relevant suppliers), to review and compare the quotations obtained from at least two independent suppliers for identical or comparable products, and to convene meetings with the relevant personnel of the Group to discuss and assess the procurement criteria on an ongoing basis. According to the internal standard operating procedure, the relevant internal team of the Group will review the purchase prices of the products under the Huahong Group Framework Agreement on a regular and ongoing basis.

Pricing basis of the General Supporting Services

The service fees payable by the Group in respect of the General Supporting Services under the Huahong Group Framework Agreement are determined with reference to the market prices of comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent service providers for identical or comparable services.

Although it is not part of the terms of the Huahong Group Framework Agreement, the Group follows its relevant internal standard operating procedure to determine the service fees in respect of the General Supporting Services. The internal standard operating procedure requires the procurement team of the Group to collect the relevant market information (e.g. costs and qualities of identical or comparable services, reputations of relevant service providers), to review and compare the quotations obtained from at least two independent service providers for identical or comparable services, and to convene meetings with the relevant personnel of the Group to discuss and assess the procurement criteria on an ongoing basis. According to the internal standard operating procedure, the relevant internal team of the Group will review the service fees under the Huahong Group Framework Agreement on a regular and ongoing basis.

Pricing basis of the Foundry Services provided by Shanghai Huali

The prices of both the Process Service and the Engineering Wafer Service are determined by the Group and Shanghai Huali on arm's length basis.

Although it is not part of the terms of the Huahong Group Framework Agreement, the Group follows its relevant internal standard operating procedure to determine the service fees of the Foundry Services. Before an order is placed, whether for the Process Service or for the Engineering Wafer Service, Hua Hong Wuxi will make reference to the prevailing market unit price of full loop 12-inch wafers (the “**Full Loop Wafer Price**”). The marketing department of Hua Hong Wuxi will obtain the industry reference price list on the Full Loop Wafer Price based on wafer size, process and order volume (the “**Price List**”) on an annual or bi-annual basis from an independent industry consultant, Omdia, whose quotation is, in the opinion of the Company, representative of the wafer market because Omdia (i) is a reputable research consulting arm of Informa PLC, a company focusing on business intelligence which is listed on the London Stock Exchange (stock symbol: INF), (ii) specialises in market research on components and manufacturing of semiconductors and (iii) has a well-developed foundry client network which enables it to provide the Price List containing information on market pricing offered by other major foundry service providers in Asia. Given that the change in Full Loop Wafer Price was no more than approximately 15% in 2021, the Price List is currently obtained on an annual or bi-annual basis because the Board is of the view that the Full Loop Wafer Price is not expected to fluctuate significantly during a year. Accordingly, the Board is of the view that the Price List is reflective of the prevailing Full Loop Wafer Price. The Board and the relevant internal team of the Group will continue to monitor the trends and changes in market prices for Full Loop Wafers and may revisit the frequency of obtaining relevant pricing reports from industry consultants in the future if deemed appropriate.

Before Hua Hong Wuxi confirms an order with Shanghai Huali, the marketing department will compare the quotations from Shanghai Huali against the Price List and its own market research on the prevailing market prices taking into account the technological specifications, process required, order volume and latest price changes in the market to ensure that the purchase price is on normal commercial terms or better.

If only a partial process (as opposed to a Full Loop Wafer) is required, whether under Process Service or Engineering Wafer Service, proportional price adjustment will be made against the Price List according to number of process masking layers required in the following manner:

$$\frac{\text{Number of process masking layers to be performed by Shanghai Huali}}{\text{Total number of process masking layers required of a full loop wafer}} \times \text{Full Loop Wafer Price}$$

Given the nature of the Process Service and the Engineering Wafer Service provided by Shanghai Huali, the Group anticipates that there are no other alternative sources of such services for the Group, as alternative suppliers would primarily comprise market competitors. Further, given Hua Hong Wuxi adopts in its production the technology transferred from Shanghai Huali pursuant to the Technology Development Agreement, the Company believes that the Foundry Services provided by Shanghai Huali will be the most compatible with the production process of Hua Hong Wuxi.

On the above basis, the Board is of the view that so long as Shanghai Huali's quotation is within the range as quoted on the Price List (i.e. not higher than the highest price quoted on the Price List), the price to be paid by Hua Hong Wuxi is fair and reasonable, shall still be within normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

Please refer to the announcements of the Company dated 27 September 2019 and 12 November 2019 in relation to the Foundry Services Agreement for further details of:

- (i) the operating procedures in respect of the Process Service and the Engineering Wafer Service to ensure that the final prices charged by Shanghai Huali in respect of the Process Service and the Engineering Wafer Service are fair and reasonable and on normal commercial terms or better; and
- (ii) the internal control measures to ensure that the Process Service and the Engineering Wafer Service are conducted in accordance with the pricing policies and the terms of the Huahong Group Framework Agreement, and without exceeding the annual cap.

Historical transaction amounts

The table below sets out the historical transaction amounts received by the Group from Huahong Group Companies for selling semiconductor products during the periods below:

	<i>(Unit: USD '000)</i>		
Transaction amounts	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2020 (audited)	For the eleven months ended 30 November 2021 (unaudited)
Hongri Sales Agreement	–	2,056	3,165
Huahong Zealcore Sales Agreement	2,895	2,797	6,201
Shanghai Huali ⁽¹⁾	–	42	–
	<hr/>	<hr/>	<hr/>
Total	2,895	4,895	9,366
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

- (1) The Group did not sell any of its products to Shanghai Huali in 2021. As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules was lower than 0.1%, the sales to Shanghai Huali in 2020 constituted fully exempt continuing connected transactions pursuant to Rule 14A.76 of the Listing Rules and were not subject to reporting, announcement, annual review and independent shareholders' approval requirements.

The table below sets out the historical transaction amounts paid by the Group to Huahong Group Companies for purchasing commodities and semiconductor products during the periods below:

Transaction amounts	<i>(Unit: USD '000)</i>		
	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2020 (audited)	For the eleven months ended 30 November 2021 (unaudited)
Hongri Purchase Agreement	7,171	15,321	17,330
Huahong Zealcore Purchase Agreement	476	525	596
Total	7,647	15,846	17,926

The table below sets out the historical transaction amounts paid by the Group to Huahong Group Companies for the Foundry Services and General Supporting Services provided by Huahong Group Companies during the periods below:

Transaction amounts	<i>(Unit: USD '000)</i>		
	For the year ended 31 December 2019 (audited)	For the year ended 31 December 2020 (audited)	For the eleven months ended 30 November 2021 (unaudited)
Foundry Services Agreement	8,698	1,832	461 ⁽¹⁾
General Supporting Services ⁽²⁾	66	280	234
Total	8,764	2,112	695

Note:

- (1) The monthly transaction value of the Foundry Services in December 2021 remained similar to the past eleven months in 2021. As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in such regard was lower than 0.1%, the Foundry Services for the year ended 31 December 2021 constituted a fully exempt continuing connected transaction pursuant to Rule 14A.76 of the Listing Rules and were not subject to reporting, announcement, annual review and independent shareholders' approval requirements. As such, no annual cap for the year ended 31 December 2021 in respect of the Foundry Services has been announced.
- (2) The monthly transaction value of the General Supporting Services in December 2021 remained similar to the past eleven months in 2021. As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the General Supporting Services provided was lower than 0.1%, the General Supporting Services provided by Huahong Group Companies from 2019 to 2021 constituted fully exempt continuing connected transactions pursuant to Rule 14A.76 of the Listing Rules and were not subject to reporting, announcement, annual review and independent shareholders' approval requirements.

For the annual caps of the above transactions, please refer to the Announcements and the 2019 and 2020 annual reports of the Company.

Proposed annual caps

The table below sets out the Sales Transactions Annual Cap, the Purchase Transactions Annual Cap and the Services Annual Cap under the Huahong Group Framework Agreement for the year ended 31 December 2022:

	<i>(Unit: USD '000)</i>
	For the year ended
	31 December 2022
Sales Transactions Annual Cap	30,036
Purchase Transactions Annual Cap	25,920
Services Annual Cap	5,179

In arriving at the Sales Transactions Annual Cap, the Directors considered:

- (a) the historical transaction values and volumes of the products sold to Huahong Group Companies, including ICs and other semiconductor products;
- (b) the strong market demand and expected sales orders received from Huahong Group Companies, during the year ending 31 December 2022;
- (c) the estimated growth rate of the expected sales amount; and
- (d) the expected increase in the production capacity of the Group in the coming year.

In arriving at the Purchase Transactions Annual Cap, the Directors considered:

- (a) the historical transaction values and volumes of wafers, chemicals and other commodities purchased from Huahong Group Companies;
- (b) the need for the Group to source more wafers, chemicals and other commodities from Huahong Group Companies to support the expansion of its production capacity in 2022;
- (c) the estimated volume of wafers, chemicals and other commodities that Huahong Group Companies can supply; and
- (d) the relevant wafers, chemicals and other commodities which can be provided by other independent suppliers.

In arriving at the Services Annual Cap, the Directors considered:

- (a) the historical transaction values of the Foundry Services and the General Supporting Services provided by Shanghai Huali and other Huahong Group Companies;
- (b) the expected market demand and the Full Loop Wafer Price indicated on the Price List obtained from the industry consultant;

- (c) the need of the Group for the Foundry Services and the General Supporting Services to assist its daily operations and the expansion of its production capacity in 2022; and
- (d) the relevant services which can be provided by other independent service providers.

As the Huahong Group Framework Agreement governs all sales and purchase transactions between the Group and Huahong Group Companies and the provision of the Foundry Services and the General Supporting Services by Huahong Group Companies to the Group in 2022, (i) the existing annual caps for the year ending 31 December 2022 under the Huahong Zealcore Sales Agreement and the Huahong Zealcore Purchase Agreement shall be superseded by the Sales Transactions Annual Cap and the Purchase Transactions Annual Cap respectively and (ii) the Foundry Services Agreement will be superseded accordingly.

Reasons for entering into the Huahong Group Framework Agreement

The Group has established a stable and longstanding business relationship with Huahong Group. As part of its ordinary and usual course of business, the Group has been (i) selling ICs and other semiconductor products to Hongri and Huahong Zealcore under the Hongri Sales Agreement and the Huahong Zealcore Sales Agreement respectively, (ii) purchasing wafers and chemicals from Hongri and Huahong Zealcore under the Hongri Purchase Agreement and the Huahong Zealcore Purchase Agreement respectively to support the manufacturing processes of semiconductors, and (iii) engaging Huahong Group Companies to provide software maintenance for the catering system and the security control system of its facilities. In view of the strong market demand of semiconductor products and the need for the General Supporting Services to assist the Group's daily operations, the Company expects that such transactions with Huahong Group Companies will continue in 2022. The Company believes that it is beneficial to consolidate the multiple agreements above into one framework agreement for administrative efficiency and ease.

Further, the Group has planned to expand the production capacity of Hua Hong Wuxi in 2022 as part of the Group's "8-inch + 12-inch" corporate strategy. The Process Service enables the Group to boost its production capacity of full 12-inch (300mm) wafer products and secure timely deliveries of its products to its customers whilst the new production lines of Hua Hong Wuxi are being constructed. As Hua Hong Wuxi adopted in its production the Technological Know-how acquired from Shanghai Huali pursuant to the Technology Development Agreement, it needs the Engineering Wafer Service from Shanghai Huali to test its production technology and further develop its own manufacturing capability. Therefore, provision of the Foundry Services allows the Group strengthen its market presence in the 12-inch wafer market and exploit the surging demands for semiconductor products in the automobile sector. Accordingly, the Group considers that the Foundry Services are beneficial to the development of the Group's operations and in the interests of the Company and its shareholders as a whole.

Having reviewed the terms of the Huahong Group Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the Huahong Group Framework Agreement are fair and reasonable;
- (ii) the entering into of the Huahong Group Framework Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the Huahong Group Framework Agreement is in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huahong Group is a substantial shareholder of the Company. Therefore, Huahong Group and Huahong Group Companies, including Shanghai Huali, Hongri and Huahong Zealcore, are connected persons of the Company. Accordingly, the Huahong Group Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Sales Transactions Annual Cap, the Purchase Transactions Annual Cap and the Services Annual Cap is more than 0.1% but less than 5%, the continuing connected transactions contemplated under the Huahong Group Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the 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 Huahong Group Framework Agreement or was required to abstain from voting at the Board meeting.

INFORMATION ABOUT THE PARTIES

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 Group

Huahong Group is a high-tech industry group which primarily focuses on IC manufacturing, research and development of advanced IC manufacturing process, IC systems integration and application services, sale of electronic components and overseas venture capital investment.

DEFINITIONS

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

“Announcements”	the announcements of the Company (i) dated 27 September 2019 and 12 November 2019 in relation to the Foundry Services Agreement, (ii) dated 31 December 2019, 30 July 2021 and 5 August 2021 in relation to the Huahong Zealcore Sales Agreement and the Huahong Zealcore Purchase Agreement and (iii) dated 24 August 2021 in relation to the Hongri Purchase Agreement and the Hongri Sales Agreement
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“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, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Engineering Wafer Service”	the manufacture and supply of 12-inch (300mm) engineering wafers by Shanghai Huali for testing and partial process support for the production line of Hua Hong Wuxi. Such engineering wafers are for internal use and will not be sold by Hua Hong Wuxi for commercial purposes
“Foundry Services”	the Process Service and the Engineering Wafer Service
“Foundry Services Agreement”	the foundry services agreement entered into between Hua Hong Wuxi and Shanghai Huali on 27 September 2019
“General Supporting Services”	the general supporting services provided by Huahong Group Companies, including software maintenance, to assist the Group’s business operations. For avoidance of doubt and due to the difference in nature of services provided, the property management services provided by Huajin Property Management Co., Ltd. under the 2021 Huajin Management Agreement are excluded, details of which are contained in the announcements of the Company dated 31 December 2020 and 24 August 2021
“Group”	the Company and its subsidiaries
“Hongri”	Shanghai HuaHong Hongri Electronics Co., Ltd. (上海華虹虹日電子有限公司), previously known as Shanghai Hongri International Electronics Co., Ltd. until 16 December 2021, a company owned as to 51% by Huahong Group and a connected person of the Company

“Hongri Purchase Agreement “	the purchase agreement entered into between the Group and Hongri dated 24 August 2021 to regulate the transactions between the Group and Hongri in connection with the purchase of wafers
“Hongri Sales Agreement”	the sales agreement entered into between the Group and Hongri dated 24 August 2021 to regulate the transactions between the Group and Hongri in connection with the sales of ICs and other semiconductor products
“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 substantial shareholder of the Company. It is ultimately owned as to 51.59% by Shanghai SASAC. Further details of its ownership are contained in the announcement of the Company dated 5 August 2021
“Huahong Group Companies”	Huahong Group, its subsidiaries and Associates
“Huahong Group Framework Agreement”	The framework agreement dated 31 December 2021 entered into between the Company and Huahong Group to regulate the sales and purchase transactions and provision of services between the Group and Huahong Group Companies
“Hua Hong Wuxi”	Hua Hong Semiconductor (Wuxi) Co., Ltd. (華虹半導體(無錫)有限公司), a company incorporated in the PRC on 10 October 2017 and a non-wholly-owned subsidiary of the Company
“Huahong Zealcore”	Shanghai Huahong Zealcore Electronics Technology Co., Ltd. (上海華虹摯芯電子科技有限公司), a company incorporated in the PRC on 30 December 2000 which is 93.02% owned by Huahong Group, and a connected person of the Company
“Huahong Zealcore Purchase Agreement”	the purchase agreement entered into between the Group and Huahong Zealcore dated 30 July 2021 to regulate the transactions between the Group and Huahong Zealcore in connection with the purchase of chemicals
“Huahong Zealcore Sales Agreement”	the sales agreement entered into between the Group and Huahong Zealcore dated 1 January 2020 to regulate the transactions between the Group and Huahong Zealcore in connection with the sales of ICs and other semiconductor products
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IC”	integrated circuit(s)

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“Process Service”	assistance provided by Shanghai Huali in performing the process masking layers for the 12-inch (300mm) wafers manufactured by Hua Hong Wuxi, which will be delivered to the customers of Hua Hong Wuxi upon completion.
“Purchase Transactions Annual Cap”	the annual cap in respect of the purchase transactions under the Huahong Group Framework Agreement for the year ended 31 December 2022
“Sales Transactions Annual Cap”	the annual cap in respect of the sales transactions under the Huahong Group Framework Agreement for the year ended 31 December 2022
“Services Annual Cap”	the annual cap in respect of the Foundry Services and the General Supporting Services provided by Huahong Group Companies under the Huahong Group Framework Agreement for the year ended 31 December 2022
“Shanghai SASAC”	Shanghai Municipal State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Shanghai Huali”	Shanghai Huali Microelectronic Co. Ltd (上海華力微電子有限公司), a company incorporated in the PRC on 18 January 2010 which is 53.79% owned by Huahong Group and is a connected person of the Company
“Shareholders”	holder(s) of Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Technology Development Agreement”	the technology development agreement entered into between Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a wholly-owned subsidiary of the Company, and Shanghai Huali on 23 November 2018, the details of which are contained in the announcement of the Company dated 23 November 2018

“Technological Know-how”	the 65nm CMOS advanced technology and technological knowhow as well as all intellectual property rights included thereunder (including but not limited to patents and technological secrets) of Shanghai Huali
“USD”	United States dollar, the lawful currency of the United States
“%”	per cent.

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

Hong Kong, 31 December 2021

As at 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