

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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**

- (1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**
- (2) PROPOSED NEW ANNUAL CAPS OF THE HUAHONG REAL ESTATE  
LEASE AND THE HUALI LEASE**
- (3) THE SAIL SALES FRAMEWORK AGREEMENT**
- (4) THE CHEMICAL PLATING SERVICE AGREEMENT**
- (5) THE HUALI CLEAN ROOM LEASE**

Reference is made to the announcements of the Company dated (i) 31 December 2020 in relation to the 2021 Huajin Management Agreement; (ii) 31 December 2021 and 2 March 2022 in relation to the 2022 Huahong Group Framework Agreement; (iii) 2 March 2022 in relation to the SITRI Sales Agreement; and (iv) 7 September 2022 in relation to the 2022 Dormitory Lease and the 2022 Huajin Management Agreement.

The Board is pleased to announce that, on 30 December 2022, the Group has entered into the 2023 Huajin Management Agreement, the 2023 Dormitory Lease and the 2023 Huahong Group Framework Agreement to renew certain existing continuing connected transactions. The Board has also proposed new annual caps for the Huahong Real Estate Lease and the Huali Lease, both of which have a term of 20 years as disclosed in the Prospectus.

#### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

##### **(a) The 2023 Huajin Management Agreement and the 2023 Dormitory Lease**

The 2021 Huajin Management Agreement, the 2022 Huajin Management Agreement and the 2022 Dormitory Lease will expire on 31 December 2022. On 30 December 2022, as part of the Group's ordinary course of business, HHGrace entered into (i) the 2023 Huajin Management Agreement with Huajin Property Management to continue engaging Huajin Property Management to provide property management services in respect of the Dormitory Premises leased by the Group and (ii) the 2023 Dormitory Lease with Huahong Real Estate to renew the dormitory tenancy under the 2022 Dormitory Lease, both for the period commencing on 1 January 2023 to 31 December 2023 (both dates inclusive).

**(b) The 2023 Huahong Group Framework Agreement**

The 2022 Huahong Group Framework Agreement will expire on 31 December 2022. As the Group intends to continue (i) selling semiconductor products to Huahong Group Companies and (ii) purchasing materials and other semiconductor products from Huahong Group Companies in the year of 2023 as part of the Group's ordinary course of business, on 30 December 2022, the Company and Huahong Group entered into the 2023 Huahong Group Framework Agreement for the purpose of regulating such transactions for the period commencing on 1 January 2023 to 31 December 2023 (both dates inclusive).

**PROPOSED NEW ANNUAL CAPS**

**The Huali Lease and Huahong Real Estate Lease**

Further reference is made to the Prospectus and the announcement of the Company dated 31 December 2019 in relation to, inter alia, the continuing connected transactions between (i) the Group and Shanghai Huali under the Huali Lease; and (ii) the Group and Huahong Real Estate under the Huahong Real Estate Lease. As disclosed in the Prospectus, the Company is of the view that a term of 20 years under each of the Huali Lease and the Huahong Real Estate Lease is consistent with the normal business practice.

The existing annual caps for the transactions contemplated under the Huali Lease and the Huahong Real Estate Lease will expire on 31 December 2022. Since the Huali Lease remains effective until 28 February 2030 and the Huahong Real Estate Lease remains effective until 31 December 2033 and the Group will continue carrying out the transactions contemplated thereunder in its ordinary and usual course of business, the Board has proposed the new annual caps for the transactions under the Huali Lease and the Huahong Real Estate Lease for the three years ending 31 December 2025.

**NEW CONTINUING CONNECTED TRANSACTIONS**

Apart from the transactions above, the Group has also entered into certain new continuing connected transactions on 30 December 2022 as set out below.

**(a) The SAIL Sales Framework Agreement**

On 30 December 2022, the Company and SAIL entered into the SAIL Sales Framework Agreement, pursuant to which, as part of the Group's ordinary course of business, the Group has agreed to sell wafers and other semiconductor products to SAIL Companies for the period commencing on 1 January 2023 to 31 December 2023 (both dates inclusive).

**(b) The Chemical Plating Service Agreement**

On 30 December 2022, HHGrace and Hua Hong Wuxi entered into the Chemical Plating Service Agreement, pursuant to which, as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide chemical plating services to HHGrace for the period commencing on 1 January 2023 to 31 December 2023 (both dates inclusive).

**(c) The Huali Clean Room Lease**

To accommodate Shanghai Huali's need to house its specialised equipment for the development of its new process for its 300mm wafer production line, on 30 December 2022, HHGrace and Shanghai Huali entered into the Huali Clean Room Lease, pursuant to which, as part of the Group's ordinary course of business, HHGrace has agreed to lease certain clean rooms in its factory premises to Shanghai Huali for the period commencing on 1 January 2023 to 31 December 2023 (both dates inclusive).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Huahong Group, SAIL and China IC Fund are each a substantial shareholder of the Company. Therefore, the following entities are connected persons of the Company:

- Huahong Group and the Huahong Group Companies, including Shanghai Huali, Hongri, Huahong Zealcore, Huahong Real Estate and Huajin Property Management;
- SAIL and the SAIL Companies, including SITRI and O-Cubes; and
- Hua Hong Wuxi, which is a non-wholly owned connected subsidiary of the Company held as to approximately 29% by China IC Fund.

Accordingly, (i) the 2023 Huahong Group Framework Agreement; (ii) the 2023 Huajin Management Agreement; (iii) the 2023 Dormitory Lease; (iv) the SAIL Sales Framework Agreement; (v) the Chemical Plating Service Agreement; (vi) the Huali Clean Room Lease; (vii) the Huali Lease; (viii) the Huahong Real Estate Lease and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

**(a) The 2023 Huahong Group Framework Agreement, the SAIL Sales Framework Agreement and the Chemical Plating Service Agreement**

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Huahong Group Purchase Transactions Annual Cap, the Huahong Group Sales Transactions Annual Cap and the annual caps under the SAIL Sales Framework Agreement and the Chemical Plating Service Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2023 Huahong Group Framework Agreement, the SAIL Sales Framework Agreement and the Chemical Plating Service 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.

**(b) The Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement**

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios 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 aggregated annual caps of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2023 Huajin Management Agreement, the 2023 Dormitory Lease and the Huahong Real Estate Lease 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.

**(c) The Huali Clean Room Lease and the Huali Lease**

Since the Group acts as the landlord under the property leases with Shanghai Huali pursuant to the Huali Clean Room Lease and the Huali Lease, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios 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 aggregated annual caps of the Huali Clean Room Lease and the Huali Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the Huali Clean Room Lease and the Huali Lease 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.

**1. THE 2023 HUAHONG GROUP FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 31 December 2021 and 2 March 2022 in relation to the 2022 Huahong Group Framework Agreement.

The 2022 Huahong Group Framework Agreement will expire on 31 December 2022. As the Group intends to continue (i) selling semiconductor products to Huahong Group Companies and (ii) purchasing materials and other semiconductor products from Huahong Group Companies in the year of 2023, on 30 December 2022, the Company and Huahong Group entered into the 2023 Huahong Group Framework Agreement as part of the Group's ordinary course of business for the purpose of regulating such transactions.

Since the testing of the new production lines of Hua Hong Wuxi has been completed, it is anticipated that the demand for foundry services to be provided by Shanghai Huali, if any, will be significantly lower in the coming year. Therefore, the Group expects that the foundry services and general supporting services to be provided by Huahong Group Companies under the 2023 Huahong Group Framework Agreement will constitute fully exempt connected transactions under Rule 14A.76 of the Listing Rules, since each of the applicable percentage ratios was below 0.1%. As a result, no annual cap in respect of the services to be provided by Huahong Group Companies for the year ending 31 December 2023 has been proposed, as opposed to the 2022 Huahong Group Framework Agreement. The Company will comply with the relevant obligations under Chapter 14A of the Listing Rules as and when appropriate.

## **1.1 Principal terms of the 2023 Huahong Group Framework Agreement**

Date:	30 December 2022
Parties:	<p>(i) The Company (on behalf of the Group); and</p> <p>(ii) Huahong Group (on behalf of Huahong Group Companies).</p>
Term:	A term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive).
Nature of transactions:	<p>(i) Sales to Huahong Group Companies</p> <ul style="list-style-type: none"> <li>The Group has agreed to sell semiconductor products, including wafers and IC, to Huahong Group Companies as part of the Company's ordinary course of business.</li> </ul> <p>(ii) Purchases from Huahong Group</p> <ul style="list-style-type: none"> <li>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.</li> </ul>
Payment arrangement:	Each sale and purchase transaction under the 2023 Huahong Group Framework Agreement will be confirmed by a purchase order or an invoice between the parties.

## **1.2 Pricing basis of sales transactions**

Although it is not part of the terms of the 2023 Huahong Group Framework Agreement, the Group follows its price quotation management system under its relevant internal standard operating procedure to determine the prices of the products to be sold under the 2023 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 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, wafers and other semiconductor products to be sold to Huahong Group Companies under the 2023 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 2023 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 2023 Huahong Group Framework Agreement on a regular and ongoing basis.

### **1.3 Pricing basis of purchase transactions**

The purchase prices payable by the Group under the 2023 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 2023 Huahong Group Framework Agreement, the Group follows its relevant internal standard operating procedure to determine the purchase prices of the products under the 2023 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 2023 Huahong Group Framework Agreement on a regular and ongoing basis.

## 1.4 Historical transaction amounts and existing annual caps

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:

*(Unit: USD'000)*

<b>Transaction amounts</b>	<b>For the year ended 31 December 2020 (audited)</b>	<b>For the year ended 31 December 2021 (audited)</b>	<b>For the eleven months ended 30 November 2022 (unaudited)</b>
Hongri	2,056	3,376	3,266
Huahong Zealcore	2,797	6,404	8,992
ICRD	8,861	8,742	3,912
<b>Total</b>	<b>13,714</b>	<b>18,522</b>	<b>16,170</b>

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:

*(Unit: USD'000)*

<b>Transaction amounts</b>	<b>For the year ended 31 December 2020 (audited)</b>	<b>For the year ended 31 December 2021 (audited)</b>	<b>For the eleven months ended 30 November 2022 (unaudited)</b>
Hongri	15,321	18,247	16,247
Huahong Zealcore	525	688	825
<b>Total</b>	<b>15,846</b>	<b>18,935</b>	<b>17,072</b>

The table below sets out the existing annual caps under the 2022 Huahong Group Framework Agreement:

(Unit: USD'000)

<b>Existing annual caps under the 2022 Huahong Group Framework Agreement</b>	<b>For the year ended 31 December 2022</b>
Sales Transactions Annual Cap	30,036
Purchase Transactions Annual Cap	25,920

For detailed annual caps of other continuing connected transactions with various Huahong Group Companies in 2020 and 2021 under various agreements, please refer to the 2020 and 2021 annual reports of the Company.

### 1.5 Proposed annual caps

The table below sets out the Huahong Group Sales Transactions Annual Cap and the Huahong Group Purchase Transactions Annual Cap under the 2023 Huahong Group Framework Agreement for the year ended 31 December 2023:

(Unit: USD'000)

	<b>For the year ended 31 December 2023</b>
Huahong Group Sales Transactions Annual Cap <sup>(1)</sup>	18,100
Huahong Group Purchase Transactions Annual Cap	31,500

*Note:*

- (1) The Company does not anticipate selling semiconductor products to ICRD in 2023 and therefore has not taken into account ICRD in arriving at the Huahong Group Sales Transactions Annual Cap.

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

- the historical transaction values and volumes of the products sold to Hongri and Huahong Zealcore, including wafers, ICs and other semiconductor products;
- the expected growth of orders from Hongri, Huahong Zealcore and other Huahong Group Companies (if any) during the year ending 31 December 2023, as the Company continues to see strong market demand for the aforesaid products;
- the expected change in sale price and sale volume in light of (b) above and the general market trend of price hike in the past few years;
- the expected increase in the production capacity of the Group in the coming year; and
- a 5% buffer to cater for any *ad hoc* sale transactions with Huahong Group Companies (if any) that would arise during the course of 2023.

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

- (a) the historical transaction values and volumes of the products purchased from Hongri and Huahong Zealcore, including semiconductor products, chemicals and other commodities;
- (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 2023, particularly in light of the further expansion of Hua Hong Wuxi following the capital injection disclosed in the Company's circular dated 9 August 2022;
- (c) the estimated volume of wafers, chemicals and other commodities that Huahong Group Companies can supply;
- (d) the relevant wafers, chemicals and other commodities which can be provided by other independent suppliers; and
- (e) a 5% buffer to cater for any *ad hoc* purchase transactions with Huahong Group Companies (if any) that would arise during the course of 2023.

#### **1.6 Reasons for entering into the 2023 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 wafers, ICs and other semiconductor products to Hongri and Huahong Zealcore respectively, and (ii) purchasing wafers and chemicals from Hongri and Huahong Zealcore respectively to support the manufacturing processes of semiconductors. In view of the strong market demand of semiconductor products, the Company expects that such transactions with Huahong Group Companies will continue in 2023. The Company believes that it is beneficial to continue consolidating the multiple transactions with different Huahong Group Companies into one framework agreement for administrative efficiency and ease by renewing the 2022 Huahong Group Framework Agreement.

Having reviewed the terms of the 2023 Huahong Group Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the 2023 Huahong Group Framework Agreement are fair and reasonable;
- (ii) the entering into of the 2023 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 2023 Huahong Group Framework Agreement is in the interest of the Company and its Shareholders as a whole.

## **2. THE SAIL SALES FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 2 March 2022 in relation to the SITRI Sales Agreement.

The Board is pleased to announce that on 30 December 2022, the Company and SAIL entered into the SAIL Group Framework Agreement, pursuant to which, as part of the Group's ordinary course of business, the Group has agreed to sell semiconductor products to SAIL Companies.

### **2.1 Principal terms of the SAIL Sales Framework Agreement**

Date:	30 December 2022
Parties:	(i) The Company (on behalf of the Group); and (ii) SAIL (on behalf of SAIL Companies).
Term:	A term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive).
Nature of transactions:	The Group has agreed to sell semiconductor products, including wafers and IC, to SAIL Companies as part of the Company's ordinary course of business.
Payment arrangement:	Each transaction under the SAIL Sales Framework Agreement will be confirmed by a purchase order or an invoice between the parties.

### **2.2 Pricing basis of sales transactions**

Although it is not part of the terms of the SAIL Sales Framework Agreement, the Group follows its price quotation management system under its relevant internal standard operating procedure to determine the prices of the products to be sold under the SAIL Sales 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 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, wafers and other semiconductor products sold to SAIL Companies under the SAIL Sales Framework Agreement are customized to meet the specific requirements of end customers, the actual demand of the end customers of SAIL 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 SAIL Sales 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 SAIL Sales Framework Agreement on a regular and ongoing basis.

### 2.3 Historical transaction amounts and existing annual caps

The table below sets out the historical transaction amounts received by the Group from the SAIL Companies for selling semiconductor products during the periods below and the existing annual caps (if any):

*(Unit: USD'000)*

	<b>For the year ended 31 December 2020 (audited)</b>	<b>For the year ended 31 December 2021 (audited)</b>	<b>For the eleven months ended 30 November 2022 (unaudited)</b>
<b>Transaction amounts</b>			
SITRI	<u>1,457</u>	<u>1,224</u>	<u>324</u>

*(Unit: USD'000)*

<b>Existing annual cap</b>	<b>For the year ended 31 December 2022</b>
SITRI Sales Agreement	1,500

## 2.4 Proposed annual caps

The table below sets out the proposed annual cap under SAIL Sales Framework Agreement for the year ended 31 December 2023:

*(Unit: USD '000)*

**For the year ended  
31 December 2023**

SAIL Sales Framework Agreement	2,000
--------------------------------	-------

In arriving at the above proposed annual cap, the Directors considered:

- (a) the historical transaction values and volumes of the products sold to SITRI, including wafers, ICs and other semiconductor products;
- (b) the potential new orders from O-Cubes and the growth of orders from SITRI during the year ending 31 December 2023, as the Company continue to see strong market demand for the aforesaid products;
- (c) the expect change in sale price and sale volume in light of (b) above and the general market trend of price hike in the past few years;
- (d) the expected increase in the production capacity of the Group in the coming year; and
- (e) a 10% buffer to cater for any ad hoc sale transactions with SAIL Companies (if any) that would arise during the course of 2023.

## 2.5 Reasons for entering into the SAIL Sales Framework Agreement

The Group has been selling wafers and other semiconductor products to SITRI as part of its ordinary and usual course of business since August 2017 and has established a stable and longstanding business relationship with SITRI. Moreover, O-Cubes will become one of the Group's potential new customers in 2023. In view of the strong market demand of semiconductor products, the Company expects that the sales to such SAIL Companies will continue in 2023. Following the entering into of the 2022 Huahong Group Framework Agreement, the Company believes that it is beneficial to adopt a similar practice for all SAIL Companies by consolidating the multiple transactions into one framework agreement for administrative efficiency and ease.

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

- (i) the terms of the SAIL Sales Framework Agreement are fair and reasonable;
- (ii) the entering into of the SAIL Sales 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 SAIL Sales Framework Agreement is in the interest of the Company and its Shareholders as a whole.

### **3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO LEASED PROPERTIES OF THE GROUP**

Reference is made to the Prospectus and the announcement of the Company dated 31 December 2019 in relation to, inter alia, the continuing connected transactions between the Group and Huahong Real Estate under the Huahong Real Estate Lease for a term of 20 years. As disclosed in the Prospectus, the Company is of the view that a term of 20 years under the Huahong Real Estate Lease is consistent with the normal business practice. The existing annual caps for the transactions contemplated under the Huahong Real Estate Lease will expire on 31 December 2022.

Further reference is made to the announcements of the Company dated (i) 31 December 2020 in relation to the 2021 Huajin Management Agreement and (ii) 7 September 2022 in relation to the 2022 Dormitory Lease and the 2022 Huajin Management Agreement. All of the aforesaid agreements will expire on 31 December 2022.

Since the Huahong Real Estate Lease remains effective until 31 December 2033 and the Group will continue carrying out the transactions contemplated thereunder in its ordinary and usual course of business, the Group (i) has proposed the new annual caps for the transactions under the Huahong Real Estate Lease for the three years ending 31 December 2025, (ii) has entered into the 2023 Dormitory Lease with Huahong Real Estate to rent the Dormitory Premises for use as staff quarters for the Group's employees, and (iii) has engaged Huajin Property Management to provide property management services for the Dormitory Premises under the 2023 Huajin Management Agreement.

#### **3.1 The Huahong Real Estate Lease**

Date: The Huahong Real Estate Lease was entered into on 10 January 2013, supplemented by a supplemental agreement dated 10 June 2014.

Parties: (i) The Group; and  
(ii) Huahong Real Estate

Term: A term of twenty (20) years from 1 January 2014 to 31 December 2033 (both dates inclusive)

Nature of transactions:	The Group has agreed to lease a gross floor area of 17,412.87 square meters of the Dormitory Premises from Huahong Real Estate to be used as staff quarters for the Group's employees.
Pricing basis:	The annual rental payable for 2020, 2021 and 2022 was approximately RMB12,000,000. For the following years, the parties will mutually agree on a new rental every three years determined after arms' length negotiation with reference to prevailing market rates in neighbouring areas. The parties have agreed that the annual rental payable for 2023, 2024 and 2025 will be approximately RMB12,700,000 based on a daily rate of RMB1.9 per square meter (tax inclusive).

### 3.2 The 2023 Dormitory Lease

Date:	30 December 2022
Parties:	(i) HHGrace; and (ii) Huahong Real Estate
Term:	A term of three (3) years from 1 January 2023 to 31 December 2025 (both dates inclusive)
Nature of transactions:	<p>The Group has agreed to renew the 2022 Dormitory Lease of a gross floor area of 7,726.32 square meters of the Dormitory Premises from Huahong Real Estate to be used as staff quarters for the Group's employees.</p> <p>A further gross floor area of 2,250.85 square meters of the Dormitory Premises will be leased to Group during 2023 after the refurbishment of the extra units has been completed. The commencement date of the lease of such premises is to be confirmed and negotiated between the parties. The termination date of the lease of the relevant Dormitory Premises governed by the 2023 Dormitory Lease will fall on 31 December 2025.</p>
Pricing basis:	Pursuant to the 2022 Dormitory Lease, the daily rent payable for the period between 7 September 2022 and 31 December 2022 (both days inclusive) was RMB1.9 per square meter (tax inclusive). Adjustment is negotiable every three years through supplemental agreements thereafter, which is determined after arm's length negotiation with reference to rental fee rates for similar and comparable dormitory premises. The parties have agreed that the annual rental payable for 2023, 2024 and 2025 will be approximately RMB7,300,000 based on a daily rate of RMB1.9 per square meter (tax inclusive).

### 3.3 The 2023 Huajin Management Agreement

Date:	30 December 2022
Parties:	(i) HHGrace; and (ii) Huajin Property Management
Term:	From 1 January 2023 to 31 December 2023 (both dates inclusive)
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 25,139.19 square meters, to be further extended to 27,390.04 square meters during 2023 pursuant to the 2023 Dormitory Lease.
Pricing basis:	The parties have agreed to (i) a monthly management fee of approximately RMB177,487.46, which includes a basic monthly fee of RMB6.48 per square meter of the Dormitory Premises and (ii) IPTV, internet connection, sewage and electricity fees of approximately RMB272,500 per month, which are determined after arm's length negotiation with reference to (a) management fee rates for similar and comparable buildings to the Dormitory Premises and (b) the inflation of utilities in the PRC.

### 3.4 Historical amounts and the existing annual caps

The table below sets out the historical transaction amounts paid by the Group to Huahong Real Estate under the Huahong Real Estate Lease, the 2022 Dormitory Lease, the 2020 Huajin Management Agreement and the 2021 Huajin Management Agreement during the periods indicated below and the respective annual caps:

*(Unit: RMB'000)*

Transaction amounts	For the year ended 31 December 2020 (audited)	For the year ended 31 December 2021 (audited)	For the eleven months ended 30 November 2022 (unaudited)
Huahong Real Estate Lease	11,535	11,504	10,527
2022 Dormitory Lease	N/A	N/A	1,189
2020 Huajin Management Agreement	1,549	N/A	N/A
2021 Huajin Management Agreement	N/A	2,179	2,251
2022 Huajin Management Agreement	N/A	N/A	182
	<u>13,084</u>	<u>13,683</u>	<u>14,149</u>

(Unit: RMB'000)

<b>Annual caps</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
Huahong Real Estate Lease	14,000	12,000	12,000
2022 Dormitory Lease	N/A	N/A	1,800
2020 Huajin Management Agreement	2,000	N/A	N/A
2021 Huajin Management Agreement	N/A	4,000	4,000
2022 Huajin Management Agreement	N/A	N/A	450
	<u>16,000</u>	<u>16,000</u>	<u>18,250</u>

### **3.5 Reasons for entering into the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 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 Huahong Real Estate Lease and the 2023 Dormitory Lease with Huahong Real Estate, and the 2023 Huajin Management Agreement with Huajin Property Management.

Having reviewed the terms and the pricing bases of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement are fair and reasonable;
- (ii) the entering into of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management 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 Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement is in the interest of the Company and its Shareholders as a whole.

### 3.6 Proposed new annual caps

The Board proposes that the below new annual caps be set for the transactions with Huahong Real Estate under the Huahong Real Estate Lease in respect of the three years ending 31 December 2025.

*(Unit: RMB'000)*

<b>Annual caps</b>	<b>For the year ended 31 December 2023</b>	<b>For the year ended 31 December 2024</b>	<b>For the year ended 31 December 2025</b>
Huahong Real Estate Lease	12,700	12,700	12,700
2023 Dormitory Lease	7,300	7,300	7,300
2023 Huajin Management Agreement	5,700	N/A	N/A
	<u>25,700</u>	<u>20,000</u>	<u>20,000</u>

In arriving at the above proposed new annual caps, the Directors considered the rental and fees payable for the three years ending 31 December 2025 under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement (as the case may be), which have been determined after arm's length negotiation with reference to:

- (i) the actual historical transaction amounts for (1) the three years ending 31 December 2022 under the Huahong Real Estate Lease, (2) the 2022 Dormitory Lease and (3) various management agreements entered into with Huajin Property Management from 2020 to 2022;
- (ii) the prevailing market rates of rental prices and management fees of similar and comparable buildings in neighbouring areas; and
- (iii) the expected increase in rental payable under the Huahong Real Estate Lease and the 2023 Dormitory Lease during the forthcoming 3-year period by comparing the rental prices of other similar buildings in neighbouring areas in terms of age, state of renovation and respective facilities.

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement are of similar nature, such transactions thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps above will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

#### **4. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PROPERTIES OF THE GROUP LEASED TO SHANGHAI HUALI**

Reference is made to the Prospectus and the announcement of the Company dated 31 December 2019 in relation to, inter alia, the continuing connected transactions between the Group and Shanghai Huali under the Huali Lease for a term of 20 years. As disclosed in the Prospectus, the Company is of the view that a term of 20 years of the Huali Lease is consistent with the normal business practice.

Since the existing annual caps for the transactions contemplated under the Huali Lease will expire on 31 December 2022 and the Huali Lease remains effective until 28 February 2030, the Group has proposed the new annual caps for the transactions under the Huali Lease for the three years ending 31 December 2025.

In addition, HHGrace and Shanghai Huali has entered into the Huali Clean Room Lease on 30 December 2022, pursuant to which, as part of the Group's ordinary course of business, HHGrace has agreed to lease certain clean rooms in its factory premises to Shanghai Huali to accommodate Shanghai Huali's need to house its specialised equipment for the development of its new process for their 300mm wafer production line.

##### **4.1 The Huali Lease**

Date:	The Huali Lease Agreement was entered into on 25 February 2010. The Huali Lease Supplemental Agreements were entered into on 10 June 2011 and 25 July 2014.
Parties:	(i) The Group; and (ii) Shanghai Huali
Term:	1 March 2010 to 28 February 2030
Nature of transactions:	<p>Pursuant to the Huali Lease Agreement, the Group has agreed to lease the Factory Premise to Shanghai Huali to house their 300mm wafer production line as well as certain administrative functions.</p> <p>Pursuant to the Huali Lease Supplemental Agreements, the lease to Shanghai Huali was extended to include the leasing of warehouse space with gross floor area of up to 4,536.1 square meters.</p>
Pricing basis:	The annual rental for the Factory Premise was on a fixed amount of RMB75,501,616.5 for factory area leased, including a daily rental of approximately RMB2.9 per square meter for office space for the first 5 years and thereafter adjusted every year by the then relevant PRC consumer price index. The total gross floor area of the Factory Premise and office space was 91,512.1 square meters. The annual rental from the sixth year onwards is calculated according to a formula based on the rental of the previous year and the PRC consumer price index rate.

The annual rental under the Huali Lease for 2022 is approximately RMB107,000,000. The respective expected annual rentals for 2023, 2024 and 2025 is RMB99,000,000, RMB103,000,000 and RMB107,000,000 respectively, which are calculated according to a formula based on the rental of the previous year and the PRC consumer price index rate.

## 4.2 The Huali Clean Room Lease

Date:	30 December 2022
Parties:	(i) HHGrace; and (ii) Shanghai Huali
Term:	1 January 2023 to 31 December 2023 (both days inclusive)
Nature of transactions:	HHGrace agreed to lease certain clean rooms in its factory premises with total gross floor area of 192 square meters.
Pricing basis:	The total monthly fee payable by Shanghai Huali to HHGrace will be RMB369,995.25 (inclusive of value-added tax), the breakdown of which is as follows:

*(Unit: RMB)*

	Monthly fee (exclusive of value-added tax)	Value- added tax rate	Monthly fee (inclusive of value-added tax)
Rent	116,800.00	9%	127,312.00
Property administrative fee	950.00	6%	1,007.00
Utility fee	105,701.20	13%	119,442.35
Special gas fee	67,265.44	13%	76,009.95
Management fee	43,607.50	6%	46,223.95
	<u>334,324.14</u>		<u>369,995.25</u>

The rental payable by Shanghai Huali to HHGrace is determined after arm's length negotiation with reference to the rental for similar and comparable clean rooms to those leased to Shanghai Huali under the Huali Clean Room Lease. The property administrative fee, utility fee, special gas fee and management fee are determined after arm's length negotiation with reference to the relevant prevailing PRC market rates and based on the estimated usage of the utility services and projected volume of chemicals arising from the operation of the specialised equipment by Shanghai Huali.

### 4.3 Historical transaction amounts and existing annual caps under the Huali Lease

The table below sets out the historical transaction amounts received by the Group from Shanghai Huali under the Huali Lease during the periods indicated below and the respective existing annual caps:

*(Unit: RMB'000)*

<b>Transaction amounts</b>	<b>For the year ended 31 December 2020 (audited)</b>	<b>For the year ended 31 December 2021 (audited)</b>	<b>For the eleven months ended 30 November 2022 (unaudited)</b>
Huali Lease	90,053	93,547	87,667

*(Unit: RMB'000)*

<b>Annual caps</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
Huali Lease	97,000	102,000	107,000

### 4.4 Proposed new annual caps for the Huali Lease and the Huali Clean Room Lease

The Board proposes that the below new annual caps be set for the leasing transactions with Shanghai Huali under the Huali Lease in respect of the three years ending 31 December 2025.

*(Unit: RMB'000)*

<b>Annual caps</b>	<b>For the year ended 31 December 2023</b>	<b>For the year ended 31 December 2024</b>	<b>For the year ended 31 December 2025</b>
Huali Lease	99,000	103,000	107,000
Huali Clean Room Lease	4,200	N/A	N/A
	<u>103,200</u>	<u>103,000</u>	<u>107,000</u>

In arriving at the above proposed new annual caps of the Huali Lease, the Directors considered (i) the historical transaction amounts over the past 3 years under the Huali Lease and (ii) the expected inflation in the forthcoming 3 years, as the terms of the Huali Lease Agreement provide that the rental for each year shall be determined based on the rental rate in the lease agreement adjusted by the PRC consumer price index rate for the previous year.

The proposed new annual caps under the Huali Clean Room Lease have been determined with reference to the total monthly fee payable by Shanghai Huali to HHGrace (exclusive of value-added tax) under the Huali Clean Room Lease.

Since the Group's property leases with Shanghai Huali under the Huali Lease and the Huali Clean Room Lease are of similar nature, and the Group acts as the landlord under both leases, such transactions thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

#### **4.5 Reasons for entering into the Huali Lease and the Huali Clean Room Lease**

The lease of fab space from the Group to Shanghai Huali is a critical part of the Group's strategic investment in 300mm wafer manufacturing capacity. Given Shanghai Huali's need to store and operate its specialised equipment for the development of its new process in relation to the wafer production process, the Company proposes to lease certain clean rooms to Shanghai Huali in addition to the existing Huali Lease.

Given (i) the strategic importance of the Group's investment in Shanghai Huali's wafer production line; (ii) the synergy effect expected to be generated from housing the production line in the Group's fab; and (iii) the substantial investment involved in building the 300mm wafer fabrication project at the relevant property, the Directors considered that it is both essential and beneficial for the Group to continue the Huali Lease and enter into the Huali Clean Room Lease.

Having reviewed the terms of the Huali Lease and the Huali Clean Room Lease, the Directors (including the Independent Non-Executive Directors) consider that:

- (i) the terms of the Huali Lease and the Huali Clean Room Lease are fair and reasonable;
- (ii) the entering into of the Huali Lease and the Huali Clean Room Lease 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 Huali Lease and the Huali Clean Room Lease is in the interest of the Company and its Shareholders as a whole.

### **5. THE CHEMICAL PLATING SERVICE AGREEMENT**

The Board is pleased to announce that on 30 December 2022, HHGrace and Hua Hong Wuxi entered into the Chemical Plating Service Agreement, pursuant to which as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide chemical plating services to HHGrace.

## 5.1 Principal terms of the Chemical Plating Service Agreement

Date:	30 December 2022
Parties:	(i) HHGrace; and (ii) Hua Hong Wuxi
Term:	A term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive).
Nature of transactions:	<p>Hua Hong Wuxi has agreed to provide the chemical plating services to HHGrace.</p> <p>As part of the manufacturing process, wafers produced by HHGrace will undergo the chemical plating process at the fab of Hua Hong Wuxi, during which a layer of metal coating will be deposited onto the wafers. Afterwards, such wafers will undergo further process at the fab of HHGrace.</p>
Payment arrangement:	Each transaction under the Chemical Plating Service Agreement will be confirmed by a purchase order or an invoice between the parties.

## 5.2 Pricing basis

The service prices payable by the Group under the Chemical Plating Service 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 suppliers for identical or comparable services.

Although it is not part of the terms of the Chemical Plating Service Agreement, the Group follows its relevant internal standard operating procedure to determine the prices of the services under the Chemical Plating Service 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 services and reputations of relevant suppliers).

To ensure that the transactions under the Chemical Plating Service Agreement are conducted on terms no less favourable than those provided by independent third parties for identical or comparable services, members of the procurement department shall obtain the quotations for identical or comparable chemical plating services from at least two independent suppliers, including those the Group used to engage before Hua Hong Wuxi starts to provide such services. The chemical plating service fees are charged on a per wafer basis and are not sensitive to order volumes (i.e. the per wafer service fee remains generally similar across different order volumes). Such quotations from independent suppliers are generally valid for one year which is in line with the industry norm and the Group's previous dealings with them. The Board also expects that the price of chemical plating services will not fluctuate significantly during a year. Accordingly, the Board is of the view that such quotations are reflective of the prevailing market prices. Given the above, the Group only currently obtains such quotations on an annual basis. The Board will continue to monitor the trends in market prices for chemical plating services and may revisit the frequency with which relevant quotations are obtained from external independent suppliers in the future if deemed appropriate.

Before placing an order with Hua Hong Wuxi, members of the procurement department shall review and compare the quotations from at least two independent suppliers for identical or comparable services obtained in the manner described above against the quotation from Hua Hong Wuxi. They shall convene meetings with the relevant personnel of the Group to discuss and assess the procurement criteria on an ongoing basis, taking into account, amongst others, (i) the quality of chemical plating services provided by Hua Hong Wuxi and the external independent suppliers and (ii) the specifications required by the relevant customers of the Group, in order to ensure that the purchase price and terms offered by Hua Hong Wuxi are on normal commercial terms or better. According to the internal standard operating procedure, the relevant internal team of the Group will review the prices of the services under the Chemical Plating Service Agreement on a regular and ongoing basis.

### 5.3 Proposed annual cap

The table below sets out the proposed annual cap under Chemical Plating Service Agreement for the year ended 31 December 2023:

*(Unit: USD'000)*

**For the year ended  
31 December 2023**

Chemical Plating Service Agreement	2,400
------------------------------------	-------

In arriving at the above annual cap, the Directors considered:

- (a) the Group's business plan to continue its expansion of production capacity in 2023;
- (b) the estimated volume of wafers that HHGrace expects to manufacture in 2023 and the proportion of which shall undergo chemical plating process conducted by Hua Hong Wuxi in accordance with the specific requirements of different customers;
- (c) the capacity of the fab of Hua Hong Wuxi in 2023; and
- (d) the relevant chemical plating services which can be provided by other independent suppliers.

### 5.4 Reasons for entering into the Chemical Plating Service Agreement

HHGrace used to engage external suppliers for chemical plating services. As the production line of Hua Hong Wuxi is now in full operation, it has developed capabilities to deposit a layer of metal coating onto the wafers. The technology and process adopted by such chemical plating services are compatible with the wafers produced by HHGrace. By commissioning Hua Hong Wuxi to provide such service, the Group seeks to reduce its reliance on external suppliers and better control costs. The Board believes that the products manufactured by such process may demonstrate the technology, research and development abilities of the Group, and may assist the Group in marketing its products to more customers by providing an in-house solution.

Having reviewed the terms of the Chemical Plating Service Agreement, the Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the Chemical Plating Service Agreement are fair and reasonable;
- (ii) the entering into of the Chemical Plating Service 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 Chemical Plating Service Agreement is in the interest of the Company and its Shareholders as a whole.

## **6. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Huahong Group, SAIL and China IC Fund are each a substantial shareholder of the Company. Therefore, the following entities are connected persons of the Company:

- Huahong Group and the Huahong Group Companies, including Shanghai Huali, Hongri, Huahong Zealcore, Huahong Real Estate and Huajin Property Management;
- SAIL and the SAIL Companies, including SITRI and O-Cubes; and
- Hua Hong Wuxi, which is a non-wholly owned connected subsidiary of the Company held as to approximately 29% by China IC Fund.

Accordingly, (i) the 2023 Huahong Group Framework Agreement; (ii) the 2023 Huajin Management Agreement; (iii) the 2023 Dormitory Lease; (iv) the SAIL Sales Framework Agreement; (v) the Chemical Plating Service Agreement; (vi) the Huali Clean Room Lease; (vii) the Huali Lease; (viii) the Huahong Real Estate Lease and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### **6.1 The 2023 Huahong Group Framework Agreement, the SAIL Sales Framework Agreement and the Chemical Plating Service Agreement**

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Huahong Group Purchase Transactions Annual Cap, the Huahong Group Sales Transactions Annual Cap and the annual caps under the SAIL Sales Framework Agreement and the Chemical Plating Service Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2023 Huahong Group Framework Agreement, the SAIL Sales Framework Agreement and the Chemical Plating Service 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.

## **6.2 The Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement**

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios 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 aggregated annual caps of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2023 Huajin Management Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2023 Huajin Management Agreement, the 2023 Dormitory Lease and the Huahong Real Estate Lease 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.

## **6.3 The Huali Clean Room Lease and the Huali Lease**

Since the Group acts as the landlord under the property leases with Shanghai Huali pursuant to the Huali Clean Room Lease and the Huali Lease, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios 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 aggregated annual caps of the Huali Clean Room Lease and the Huali Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the Huali Clean Room Lease and the Huali Lease 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.

## **7. INFORMATION ABOUT THE PARTIES**

### **7.1 The Company**

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

### **7.2 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. For details of other Huahong Group Companies the transactions with which are to be governed by the 2023 Huahong Group Framework Agreement, please refer to the announcements of the Company dated 31 December 2021 and 2 March 2022.

### **7.3 Shanghai Huali**

Shanghai Huali is 53.79% owned by Huahong Group. Shanghai Huali's principal business is developing and operating a 300mm wafer fab.

### **7.4 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 substantial 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.

### **7.5 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 substantial shareholder of the Company, and 50% held by HHGrace, a wholly-owned subsidiary. Huajin Property Management's principal business is in property management.

### **7.6 Hua Hong Wuxi**

Hua Hong Wuxi is a non-wholly owned subsidiary of the Company which is held as to approximately 20.58% by China IC Fund, a substantial shareholder of the Company. Hua Hong Wuxi's principal business is in the design, research, manufacturing, testing, packaging and sale of integrated circuits fabricated on 12-inch (300mm) wafers.

### **7.7 HHGrace**

HHGrace is a wholly foreign owned enterprise incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of the Company. HHGrace's principal business is to research, develop, manufacture and sell semiconductors as a pure-play foundry.

### **7.8 SAIL**

SAIL primarily engages in equity investment and management in the field of high-tech industry and financial and modern service industry. SAIL has invested in projects involved in industries including information, biomedicine, new energy, financial services and modern service.

### **7.9 SITRI**

SITRI is 80% owned by SAIL. SITRI's principal business is the innovation and commercialization of "More than Moore" (MtM) technologies and the provision of technological analysis and support of wafers, ICs and their manufacturing processes and products.

## 7.10 O-Cubes

O-Cubes is 30% owned by SAIL. It focuses on high-end SOC chips in the field of wireless communication and also provides system solutions.

## 8. DEFINITIONS

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

“2022 Dormitory Lease”	the lease agreement entered into between HHGrace and Huahong Real Estate dated 7 September 2022 regarding the lease of part of the Dormitory Premises to HHGrace, details of which have been set out in the Company’s announcement on the same date
“2023 Dormitory Lease”	the lease agreement entered into between HHGrace and Huahong Real Estate dated 30 December 2022 to extend the 2022 Dormitory Lease and rent additional areas for three years ending 31 December 2025
“2022 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 for the year ending 31 December 2022, details of which have been set out in the Company’s announcement on 31 December 2021
“2023 Huahong Group Framework Agreement”	the framework agreement dated 30 December 2022 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 for the year ending 31 December 2023
“2020 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 31 December 2019, pursuant to which the Group engaged Huajin Property Management to provide property management services in respect of the premises under the Huahong Real Estate Lease for the year ending 31 December 2020
“2021 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 31 December 2020 to extend the 2020 Huajin Management Agreement for two years ending 31 December 2022

“2022 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 7 September 2022, pursuant to which the Group engaged Huajin Property Management to provide property management services in respect of the premises under the 2022 Dormitory Lease from the date thereof to 31 December 2022
“2023 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 30 December 2022, pursuant to which the Group will engage Huajin Property Management to provide property management services in respect of the Dormitory Premises for the year ending 31 December 2023
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Chemical Plating Service Agreement”	the chemical plating service agreement dated 30 December 2022 entered into between the HHGrace and Hua Hong Wuxi to regulate the chemical plating services provided by Hua Hong Wuxi to HHGrace
“China IC Fund”	China Integrated Circuit Industry Investment Fund Co., Ltd.* (國家集成電路產業投資基金股份有限公司), a company incorporated in the PRC on 26 September 2014 and a substantial shareholder 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
“Dormitory Premises”	dormitory premises of a total gross floor area 27,390.04 square meters situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC
“Factory Premise”	the factory premise situated at Hill 2, 13th Street, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC
“Group”	the Company and its subsidiaries

“HHGrace”	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
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongri”	Shanghai Hua Hong 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
“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 Purchase Transactions Annual Cap”	the annual cap in respect of the purchase transactions under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023
“Huahong Group Sales Transactions Annual Cap”	the annual cap in respect of the sales transactions under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023
“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 17,412.87 square meters of the Dormitory Premises from Huahong Real Estate for a term of 20 years effective from 1 January 2014
“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

“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
“Huali Clean Room Lease”	the lease agreement entered into between HHGrace and Shanghai Huali on 30 December 2022, pursuant to which HHGrace agreed to lease certain clean rooms to Shanghai Huali for a term of one year commencing on 1 January 2023
“Huali Lease”	the Huali Lease Agreement and the Huali Lease Supplemental Agreements
“Huali Lease Agreement”	the lease agreement entered into between the Group and Shanghai Huali on 25 February 2010, pursuant to which the Group leased the Factory Premise to Shanghai Huali for a term of 20 years commencing on 1 March 2010
“Huali Lease Supplemental Agreements”	the supplemental agreements between the Group and Shanghai Huali dated 10 June 2011 and 25 July 2014, pursuant to which the lease to Shanghai Huali was extended to include the leasing of warehouse space with gross floor area of up to 4,536.1 square meters for a term of 20 years, commencing on 1 July 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
“IC”	integrated circuit(s)
“ICRD”	Shanghai Integrated Circuit Research and Development Center (上海集成電路研發中心有限公司), which is treated as a subsidiary of Huahong Group
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“O-Cubes”	O-Cubes (Shanghai) Microelectronics Technology Co., Ltd. (白盒子(上海)微電子科技有限公司), a company incorporated in the PRC owned as to 30% by SAIL

“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the Company’s prospectus dated 3 October 2014
“SAIL”	Shanghai Alliance Investment Limited (上海聯和投資有限公司), a company incorporated in the PRC on 26 September 1994 and a substantial shareholder of the Company. It is ultimately wholly owned by Shanghai SASAC
“SAIL Companies”	SAIL, its subsidiaries and Associates
“SAIL Sales Framework Agreement”	the framework agreement dated 30 December 2022 entered into between the Company and SAIL to regulate the sales transactions between the Group and SAIL Companies
“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
“SITRI”	Shanghai Industrial µTechnology Research Institute (上海新微技術研發中心有限公司), a company incorporated in the PRC owned as to 80% by SAIL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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*

\* For identification purpose only

Hong Kong, 30 December 2022

*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