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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)**

### **MAJOR TRANSACTIONS IN RELATION TO THE EPC CONTRACTS**

#### **THE WUXI JV1 EPC CONTRACT**

On 19 February 2023, Wuxi JV1 and the Contractors entered into the Wuxi JV1 EPC Contract, pursuant to which the Contractors shall perform engineering, procurement and construction work involving the construction of various new buildings, employee dormitories, a multistorey car park and ancillary facilities in the neighbouring areas of Wuxi JV1's factory premises in Wuxi, Jiangsu Province, PRC. The total consideration of the Wuxi JV1 EPC Contract is RMB1,262,280,352.09 (inclusive of tax).

#### **THE WUXI JV2 EPC CONTRACT**

On 19 May 2023, Wuxi JV2 and the Contractors entered into the Wuxi JV2 EPC Contract, pursuant to which the Contractors shall perform engineering, procurement and construction work involving the construction of a production plant, power facilities, production and ancillary facilities, various equipment and systems for production purpose on the Land transferred to Wuxi JV2 pursuant to the Land Transfer Agreement. The total consideration of the Wuxi JV2 EPC Contract is RMB8,279,918,798.65 (inclusive of tax).

#### **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable ratios under Rule 14.07 of the Listing Rules of the Wuxi JV1 EPC Contract are below 5%, it did not constitute a discloseable transaction of the Company on a standalone basis.

As both EPC Contracts are entered into with the same parties (i.e. the Contractors) and are of similar nature, the Wuxi JV1 EPC Contract and the Wuxi JV2 EPC Contract shall be aggregated and treated as if they were one transaction with the Contractors for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Wuxi JV1 EPC Contract and the Wuxi JV2 EPC Contract, on an aggregate basis, is equal to 25% or above but are all below 100%, such transactions constitute major transactions of the Company and are subject to announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM, BOARD MEETING AND CIRCULAR**

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, amongst other things, the Wuxi JV2 EPC Contract.

A circular containing amongst other things, further details concerning the EPC Contracts, together with a notice convening the EGM, is expected to be despatched to the Shareholders by June 2023, as more time is needed for the Company to finalise the contents therein.

**The Wuxi JV2 EPC Contract is subject to the fulfilment (or waiver) of certain conditions precedent set out thereunder, including Shareholders' approval at the EGM, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **1. THE WUXI JV1 EPC CONTRACT**

On 19 February 2023, Wuxi JV1 and the Contractors entered into the Wuxi JV1 EPC Contract, pursuant to which the Contractors shall perform engineering, procurement and construction work involving the construction of various new buildings, employee dormitories, a multistorey car park and ancillary facilities in the neighbouring areas of Wuxi JV1's factory premises in Wuxi, Jiangsu Province, PRC.

The major terms and further details of the Wuxi JV1 EPC Contract are set out as follows:

Date: 19 February 2023

Parties:

- Wuxi JV1, as the principal; and
- The Contractors, i.e. (i) EDRI and (ii) Shanghai Construction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each Contractor is an Independent Third Party of the Company and is independent of each other.

Subject matter: The Contractors shall be appointed as the contractors to perform engineering, procurement and construction work involving the construction of various new buildings, employee dormitories, a multistorey car park and ancillary facilities of a total gross floor area of 172,638 square meters at No. 30, Xinzhou Road, Xinwu District in Wuxi, Jiangsu Province, PRC near Wuxi JV1's factory premises.

The Contractors have agreed to, amongst others:

- (i) design and construct the new buildings, dormitories, multistorey car park and ancillary facilities;
- (ii) procure equipment and install the same in the aforesaid premises as appropriate;
- (iii) provide maintenance service in respect of the aforesaid premises; and
- (iv) carry out the necessary administrative work and assist Wuxi JV1 in liaising with the PRC authorities to obtain the relevant building approvals.

Total consideration: RMB1,262,280,352.09 (inclusive of tax), which consists of the following components having considered the type of services to be provided by the Contractors:

<b>Fees (inclusive of tax)</b>	<b>Amount (RMB)</b>
Design Fee	24,620,620.00
Construction and Installation Fee	742,343,034.30
Electronic Engineering Construction Fee	414,204,521.89
Engineering Procurement Management Fee	16,112,175.90
Risk Management Fee	<u>65,000,000.00</u>
<b>Total</b>	<b><u><u>1,262,280,352.09</u></u></b>

Basis of consideration: Wuxi JV1 invited public tenders for the construction work under the Wuxi JV1 EPC Contract. After carrying out relevant internal evaluation procedures and considering various factors, including the technical experience, professional qualifications, business reputation, project management abilities, total expenses and other relevant factors of all the tenderers, Wuxi JV1 selected the Contractors as the tender winners.

The total consideration was determined on an arms' length basis having taken into account (i) the various services required by Wuxi JV1 to support its expansion of production capacity and (ii) the prevailing market conditions of such engineering, procurement and construction work, which the Board considers to be fair and reasonable. The total consideration will be financed by the internal resources of Wuxi JV1.

Expected  
construction  
timeline:

<b>Milestone completed/to be completed</b>	<b>(Expected) Date</b>
Commencement of foundation work	6 May 2023
Roofing of the main buildings	April 2024
Internal fitting and electronic engineering	December 2024
Expected completion	March 2025

The above expected timeline is subject to various factors, including but not limited to (i) the supply of production line facilities which will be sourced overseas and (ii) approval of the relevant PRC authorities. The Company will make relevant announcement(s) in accordance with the Listing Rules should there be any material delay or material variation of the terms of the Wuxi JV1 EPC Contract.

Payment terms:

# **1. *Prepayment***

## **1.1. *Design Fee***

Within 45 days of the date of the Wuxi JV1 EPC Contract, Wuxi JV1 shall make a prepayment in an amount equivalent to 10% of the Design Fee.

## **1.2. *Construction and Installation Fee***

Within 45 days of the date of the Wuxi JV1 EPC Contract, Wuxi JV1 shall make a prepayment in an amount equivalent to 10% of the Construction and Installation Fee.

## **1.3. *Electronic Engineering Construction Fee***

Within 45 days of the date of the electronic engineering construction sub-contract, Wuxi JV1 shall make a prepayment in an amount equivalent to 20% of the consideration under that sub-contract.

## **2. Payment schedule**

### **2.1 Design Fee**

Wuxi JV1 shall pay the remaining 90% of the Design Fee to the Contractors in accordance with the timeline below:

<b>Event</b>	<b>Portion of Design Fee (%)</b>
Wuxi JV1's approval of the design	10%
Completion of the architectural drawing for the purpose of obtaining government approval for construction and such drawing being approved by the relevant authorities	20%
Completion of all architectural drawings	25%
Completion of installation work and construction	20%
Completion of (i) acceptance inspections by Wuxi JV1, (ii) the relevant filings with PRC authorities and (iii) final architectural drawing	15%

### **2.2 Construction and Installation Fee**

2.2.1 The Construction and Installation Fee shall be paid monthly by Wuxi JV1. On the twenty-fifth (25th) day of each calendar month, the Contractors shall submit a report of construction progress for Wuxi JV1's approval. If Wuxi JV1 is satisfied with the report, it shall pay the Contractors 80% of the Construction and Installation Fee incurred in that month. The first five (5) tranches of monthly payment shall offset the 10% prepayment made in accordance with paragraph 1.2 above;

2.2.2 Upon completion of (i) acceptance inspections by Wuxi JV1 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV1 shall further pay 5% of the total Construction and Installation Fee to the Contractors, thereby bringing the cumulative payment to 85%;

2.2.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV1 shall further pay 12% of the total Construction and Installation Fee to the Contractors, thereby bringing the cumulative payment to 97%; and

2.2.4 The remaining 3% of the Construction and Installation Fee shall be reserved as quality assurance fee. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV1 shall pay such amount to the Contractors.

### *2.3 Electronic Engineering Construction Fee*

2.3.1 The Electronic Engineering Construction Fee shall be paid monthly by Wuxi JV1. On the twenty-fifth (25th) day of each calendar month, the Contractors shall submit a report of construction progress for Wuxi JV1's approval. If Wuxi JV1 is satisfied with the report, it shall pay the Contractors 80% of the Electronic Engineering Construction Fee incurred in that month. The first three (3) tranches of monthly payment shall offset the 20% prepayment made in accordance with paragraph 1.3 above;

2.3.2 Upon completion of (i) acceptance inspections by Wuxi JV1 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV1 shall further pay 5% of the total Electronic Engineering Construction Fee to the Contractors, thereby bringing the cumulative payment to 85%;

2.3.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV1 shall further pay 12% of the total Electronic Engineering Construction Fee to the Contractors, thereby bringing the cumulative payment to 97%; and

2.3.4 The remaining 3% of the Electronic Engineering Construction Fee are reserved as quality assurance fee. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV1 shall pay such amount to the Contractors.

## *2.4 Engineering Procurement Management Fee*

- 2.4.1 Wuxi JV1 shall make monthly payments of 5% of the Engineering Procurement Management Fee for the 15-month period between June 2023 and August 2024 (75% in total);
- 2.4.2 Upon completion of (i) acceptance inspections by Wuxi JV1 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV1 shall pay further 10% of the total Engineering Procurement Management Fee to the Contractors, thereby bringing the cumulative payment to 85%;
- 2.4.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV1 shall pay further 12% of the total Engineering Procurement Management Fee to the Contractors, thereby bringing the cumulative payment to 97%; and
- 2.4.4 The remaining 3% of the Engineering Procurement Management Fee are provisions for defects. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV1 shall pay such amount to the Contractors.

## *2.5 Risk Management Fee*

Risk management fee provides for any costs incurred upon occurrence of any unforeseeable events in the course of the construction. The Contractors shall submit written applications with supporting evidence of the costs incurred for Wuxi JV1's approval. Such reimbursements shall be paid by Wuxi JV1 within 45 days of its approval.

Condition precedent: The Wuxi JV1 EPC Contract takes effect upon completion of the necessary filing(s) and/or registration(s) at the relevant authorities in the PRC.

## 2. THE WUXI JV2 EPC CONTRACT

On 19 May 2023, Wuxi JV2 and the Contractors entered into the Wuxi JV2 EPC Contract, pursuant to which the Contractors shall perform engineering, procurement and construction work involving the construction of a production plant, power facilities, production and ancillary facilities, various equipment and systems for production purpose on the Land transferred to Wuxi JV2 pursuant to the Land Transfer Agreement.

The major terms and further details of the Wuxi JV2 EPC Contract are set out as follows:

Date: 19 May 2023

Parties:

- Wuxi JV2, as the principal; and
- The Contractors, i.e. (i) EDRI and (ii) Shanghai Construction.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each Contractor is an Independent Third Party of the Company and is independent of each other.

Subject matter: The Contractors shall be appointed as the contractors to perform engineering, procurement and construction work involving the construction of a production plant, power facilities, production and ancillary facilities, various equipment and systems for production purpose of a total gross floor area of 529,190.95 square meters on the Land transferred to Wuxi JV2 pursuant to the Land Transfer Agreement.

The Contractors have agreed to, amongst others:

- (i) design and construct a production plant, power facilities, production and ancillary facilities, various equipment and systems for production purpose;
- (ii) procure equipment and install the same in the aforesaid premises as appropriate;
- (iii) provide maintenance service in respect of the aforesaid premises; and
- (iv) carry out the necessary administrative work and assist Wuxi JV2 in liaising with the PRC authorities to obtain the relevant building approvals.



Total consideration: RMB8,279,918,798.65 (inclusive of tax), which consists of the following components having considered the type of services to be provided by the Contractors:

<b>Fees (inclusive of tax)</b>	<b>Amount (RMB)</b>
Design Fee	196,737,277.33
Construction and Installation Fee	3,270,404,668.94
Electronic Engineering Construction Fee	4,314,930,032.76
Engineering Procurement Management Fee	167,846,819.62
Risk Management Fee	330,000,000.00
	<b><u>8,279,918,798.65</u></b>

Basis of consideration: Wuxi JV2 invited public tenders for the construction work under the Wuxi JV2 EPC Contract. After carrying out relevant internal evaluation procedures and considering various factors, including the technical experience, professional qualifications, business reputation, project management abilities, total expenses and other relevant factors of all the tenderers, Wuxi JV2 selected the Contractors as the tender winners.

The total consideration was determined on an arms' length basis having taken into account (i) the various services required by Wuxi JV2 to support the operation of its new production line and (ii) the prevailing market conditions of such engineering, procurement and construction work, which the Board considers to be fair and reasonable. The total consideration will be financed by the internal resources of Wuxi JV2.

<b>Expected construction timeline:</b>	<b>Milestone to be completed</b>	<b>Expected Date</b>
	Commencement of foundation work	June 2023
	Completion of construction of the production plant's structure	January 2024
	Formal occupation of the clean rooms	August 2024
	Expected completion	May 2025

The above expected timeline is subject to various factors, including but not limited to (i) the supply of production line facilities which will be sourced overseas and (ii) approval of the relevant PRC authorities. The Company will make relevant announcement(s) in accordance with the Listing Rules should there be any material delay or material variation of the terms of the Wuxi JV2 EPC Contract.

Payment terms:

## **1. Prepayment**

### *1.1. Design Fee*

Within 45 days of the date of the Wuxi JV2 EPC Contract, Wuxi JV2 shall make a prepayment in an amount equivalent to 10% of the Design Fee.

### *1.2. Construction and Installation Fee*

Within 45 days of the date of the Wuxi JV2 EPC Contract, Wuxi JV2 shall make a prepayment in an amount equivalent to 10% of the Construction and Installation Fee.

### *1.3. Electronic Engineering Construction Fee*

Within 45 days of the date of the electronic engineering construction sub-contract, Wuxi JV2 shall make a prepayment in an amount equivalent to 20% of the consideration under that sub-contract.

## **2. Payment schedule**

### *2.1 Design Fee*

Wuxi JV2 shall pay the remaining 90% of the Design Fee to the Contractors in accordance with the timeline below:

<b>Event</b>	<b>Portion of Design Fee (%)</b>
Wuxi JV2's approval of the design	10%
Completion of the architectural drawing for the purpose of obtaining government approval for construction and such drawing being approved by the relevant authorities	20%
Completion of all architectural drawings	25%
Completion of installation work and construction	20%
Completion of (i) acceptance inspections by Wuxi JV2, (ii) the relevant filings with PRC authorities by the Contractors and (iii) final architectural drawing	15%

## *2.2 Construction and Installation Fee*

- 2.2.1 The Construction and Installation Fee shall be paid monthly by Wuxi JV2. On the twenty-fifth (25th) day of each calendar month, the Contractors shall submit a report of construction progress for Wuxi JV2's approval. If Wuxi JV2 is satisfied with the report, it shall pay the Contractors 80% of the Construction and Installation Fee incurred in that month. The first five (5) tranches of monthly payment shall offset the 10% prepayment made in accordance with paragraph 1.2 above;
- 2.2.2 Upon completion of (i) acceptance inspections by Wuxi JV2 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV2 shall further pay 5% of the total Construction and Installation Fee to the Contractors, thereby bringing the cumulative payment to 85%;
- 2.2.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV2 shall further pay 12% of the total Construction and Installation Fee to the Contractors, thereby bringing the cumulative payment to 97%; and
- 2.2.4 The remaining 3% of the Construction and Installation Fee shall be reserved as quality assurance fee. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV2 shall pay such amount to the Contractors.

## *2.3 Electronic Engineering Construction Fee*

- 2.3.1 The Electronic Engineering Construction Fee shall be paid monthly by Wuxi JV2. On the twenty-fifth (25th) day of each calendar month, the Contractors shall submit a report of construction progress for Wuxi JV2's approval. If Wuxi JV2 is satisfied with the report, it shall pay the Contractors 80% of the Electronic Engineering Construction Fee incurred in that month. The first three (3) tranches of monthly payment shall offset the 20% prepayment made in accordance with paragraph 1.3 above;

- 2.3.2 Upon completion of (i) acceptance inspections by Wuxi JV2 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV2 shall further pay 5% of the total Electronic Engineering Construction Fee to the Contractors, thereby bringing the cumulative payment to 85%;
- 2.3.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV2 shall further pay 12% of the total Electronic Engineering Construction Fee to the Contractors, thereby bringing the cumulative payment to 97%; and
- 2.3.4 The remaining 3% of the Electronic Engineering Construction Fee are reserved as quality assurance fee. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV2 shall pay such amount to the Contractors.

#### *2.4 Engineering Procurement Management Fee*

- 2.4.1 Wuxi JV2 shall make monthly payments of 5% of the Engineering Procurement Management Fee for the 15-month period between August 2023 and October 2024 (75% in total);
- 2.4.2 Upon completion of (i) acceptance inspections by Wuxi JV2 and (ii) the relevant filings with PRC authorities and (iii) submission of the relevant documentations by the Contractors, Wuxi JV2 shall pay further 10% of the total Engineering Procurement Management Fee to the Contractors, thereby bringing the cumulative payment to 85%;
- 2.4.3 Upon completion of the settlement assessment of the construction fees of the entire project, Wuxi JV2 shall pay further 12% of the total Engineering Procurement Management Fee to the Contractors, thereby bringing the cumulative payment to 97%; and
- 2.4.4 The remaining 3% of the Engineering Procurement Management Fee are provisions for defects. If there are no defects for which the Contractors shall be held responsible within 2 years of the date of acceptance inspections, Wuxi JV2 shall pay such amount to the Contractors.

## *2.5 Risk Management Fee*

Risk management fee provides for any costs incurred upon occurrence of any unforeseeable events in the course of the construction. The Contractors shall submit written applications with supporting evidence of the costs incurred for Wuxi JV2's approval. Such reimbursements shall be paid by Wuxi JV2 within 45 days of its approval.

Conditions precedent: The Wuxi JV2 EPC Contract takes effect upon satisfaction and/or waiver (as applicable) of the following conditions:

- (i) each of the Company, Wuxi JV2 and the Contractors having obtained their respective internal approvals of the transactions contemplated under the Wuxi JV2 EPC Contract;
- (ii) the Company having obtained its Shareholders' approval at the EGM in respect of the transfer contemplated under the Wuxi JV2 EPC Contract; and
- (iii) completion of the necessary filing(s) and/or registration(s) of the Wuxi JV2 EPC Contract at the relevant authorities in the PRC.

For the avoidance of doubt, the obligations of the Company and Wuxi JV2 to seek internal approval and/or Shareholders' approval under conditions (i) and (ii) above in compliance with Chapter 14 of the Listing Rules must not be waived.

### **3. REASONS FOR AND BENEFITS OF ENTERING INTO THE EPC CONTRACTS**

#### **(i) Wuxi JV1 EPC Contract**

As set out in the announcement of the Company dated 29 June 2022 and the circular of the Company dated 9 August 2022, Wuxi JV1 entered into the Wuxi JV1 Capital Injection Agreement pursuant to which its shareholders shall inject capital into Wuxi JV1 for the purpose of expanding its production line of 12-inch (300 mm) wafers. In this connection, Wuxi JV1 expects to recruit more employees and scale up the supporting facilities, including employee dormitories and parking lots, with a view to meeting the increasing demand of such facilities from its employees and facilitating the operation of its production line on an all-year round basis.

Wuxi JV1 currently leases certain external properties in Wuxi city to provide staff quarters to its employees who work in shifts. Through constructing its own employee dormitories near its factory premises under the Wuxi JV1 EPC Contract, Wuxi JV1 believes that it may promote the welfare of its employees and save costs of renting external properties. From the perspective of human resources and risk management, it reduces the Group's exposure to the risk of external disruptions such as pandemic of infectious diseases.

#### **(ii) Wuxi JV2 EPC Contract**

As set out in the announcement of the Company dated 18 January 2023 and the circular of the Company dated 24 February 2023, Wuxi JV2 will engage in the business of manufacturing and sale of integrated circuits and 12-inch (300mm) wafers mainly adopting 65/55 nm to 40 nm processes. The Company is of the view that the establishment of Wuxi JV2 would allow the Company to (i) further extend its business in 12-inch (300 mm) wafers, (ii) offer a wider range of products, (iii) fulfill the strong market demand in the coming years and (iv) deepen its cooperation with China IC Fund II. For further details regarding Wuxi JV2, please refer to the circular of the Company dated 24 February 2023.

As a vital step to construct its own fab housing a production line of 12-inch (300mm) wafers mainly adopting 65/55 nm to 40 nm processes, Wuxi JV2 entered into the Wuxi JV2 EPC Contract to engage the Contractors in relation to the engineering, procurement and construction work of the production plant and ancillary facilities of Wuxi JV2. The Company had invited public tenders for the construction work under the Wuxi JV2 EPC Contract. After carrying out relevant evaluation procedures and considering various factors, including, amongst others, the technical experience, professional qualifications, business reputation, project management abilities, total expenses and other relevant factors of all the tenderers, the Contractors were selected as the tender winners. Since the Contractors possess the necessary professional qualification and have extensive experience, including carrying out the construction work of Wuxi JV1's fab in 2018, the Company believes that the Contractors are able to deliver high-quality work, thereby ensuring the smooth commencement of the Wuxi JV2's business.

### **(iii) View of the Directors**

Having reviewed the terms of the EPC Contracts, the Directors (including the independent non-executive Directors) are of the view that:

- (a) the terms of the EPC Contracts are fair and reasonable; and
- (b) the entering into of the EPC Contracts is in the interest of the Company and its Shareholders as a whole.

## **4. INFORMATION ABOUT THE PARTIES**

### **The Company**

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

### **Wuxi JV1**

Wuxi JV1 is currently a non-wholly owned subsidiary of the Company, and is principally engaged in the design, research, manufacturing, testing, packaging and sale of integrated circuits fabricated on 12-inch (300mm) wafers mainly adopting 90 nm to 65/55 nm processes.

### **Wuxi JV2**

Wuxi JV2 is currently a non-wholly owned subsidiary of the Company, and is principally engaged in the manufacturing and sale of integrated circuits and 12-inch (300mm) wafers mainly adopting 65/55 nm to 40 nm processes.

### **EDRI**

EDRI is a subsidiary of Wuxi Taiji Industry Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600667.SH). It is a large-scale comprehensive engineering technology service company engaged in engineering consultation, engineering design and engineering procurement.

### **Shanghai Construction**

Shanghai Construction is a subsidiary of Shanghai Construction Group Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600170.SH). It is an engineering service company providing services regarding engineering procurement and management, building construction and procurement, installation and maintenance of equipment.

## 5. IMPLICATIONS UNDER THE LISTING RULES

As the applicable ratios under Rule 14.07 of the Listing Rules of the Wuxi JV1 EPC Contract are below 5%, it did not constitute a discloseable transaction of the Company on a standalone basis.

As both EPC Contracts are entered into with the same parties (i.e. the Contractors) and are of similar nature, the Wuxi JV1 EPC Contract and the Wuxi JV2 EPC Contract shall be aggregated and treated as if they were one transaction with the Contractors for the purpose of computing the relevant percentage ratios pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Wuxi JV1 EPC Contract and the Wuxi JV2 EPC Contract, on an aggregate basis, is equal to 25% or above but are all below 100%, such transactions constitute major transactions of the Company and are subject to announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As of the date of this announcement, none of the Directors has material interest in the EPC Contracts or was required to abstain from voting on the relevant resolutions at the Board meetings approving the entering into of the EPC Contracts.

## 6. EGM, BOARD MEETING AND CIRCULAR

The EGM will be convened for the purpose of considering and, if deemed appropriate, approving, amongst other things, the Wuxi JV2 EPC Contract.

A circular containing amongst other things, further details concerning the EPC Contracts, together with a notice convening the EGM, is expected to be despatched to the Shareholders by June 2023, as more time is needed for the Company to finalise the contents therein.

**The Wuxi JV2 EPC Contract is subject to the fulfilment (or waiver) of certain conditions precedent set out thereunder, including Shareholders' approval at the EGM, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## 7. DEFINITIONS

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

“Board”	the board of Directors
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established in the PRC on 22 October 2019
“Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange



“Contractors”	EDRI and Shanghai Construction
“Construction and Installation Fee”	the construction and installation fee as provided under the Wuxi JV1 EPC Contract or the Wuxi JV2 EPC Contract, as appropriate
“Design Fee”	the design fee as provided under the Wuxi JV1 EPC Contract or the Wuxi JV2 EPC Contract, as appropriate
“Director(s)”	the director(s) of the Company
“EDRI”	The IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited (信息產業電子第十一設計研究院科技工程股份有限公司), a company incorporated in the PRC on 16 January 1993
“EGM”	the extraordinary general meeting of the Company to approve, amongst other things, the Wuxi JV2 EPC Contract
“Electronic Engineering Construction Fee”	the electronic engineering construction fee as provided under the Wuxi JV1 EPC Contract or the Wuxi JV2 EPC Contract, as appropriate
“Engineering Procurement Management Fee”	the engineering procurement management fee as provided under the Wuxi JV1 EPC Contract or the Wuxi JV2 EPC Contract, as appropriate
“EPC Contracts”	the Wuxi JV1 EPC Contract and the Wuxi JV2 EPC Contract
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	person(s) who is not a connected person of the Company pursuant to Chapter 14A of the Listing Rules
“Land”	the plot of land located at No. 30-1, Xinzhou Road, Wuxi City, Jiangsu Province, PRC, which is one of the subject matters of the Land Transfer Agreement
“Land Transfer Agreement”	the land transfer agreement dated 18 January 2023 entered into between Wuxi JV1 and Wuxi JV2, pursuant to which Wuxi JV1 agreed to transfer and Wuxi JV2 agreed to purchase the Land and several other plots of land located at Nos. 28 and 30, Xinzhou Road and Nos. 27 and 29, Xixing Road, Wuxi City, Jiangsu Province, PRC for a total consideration of RMB170,100,450.00

“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 purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“Risk Management Fee”	the risk management fee as provided under the Wuxi JV1 EPC Contract or the Wuxi JV2 EPC Contract, as appropriate
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Construction”	Shanghai Construction No. 4 (Group) Co., Ltd. (上海建工四建集團有限公司), previously known as Shanghai Municipal Construction No. 4 Co., Ltd.* (上海市第四建築有限公司), a company incorporated in the PRC on 9 June 1993
“Shareholders”	holder(s) of Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States
“Wuxi JV1”	Hua Hong Semiconductor (Wuxi) Limited, a company incorporated in the PRC on 10 October 2017 and a non-wholly-owned subsidiary of the Company
“Wuxi JV2”	Hua Hong Semiconductor Manufacturing (Wuxi) Co., Ltd.* (華虹半導體製造(無錫)有限公司), a company incorporated in the PRC on 17 June 2022 and a non-wholly-owned subsidiary of the Company
“Wuxi JV1 Capital Injection Agreement”	the capital injection agreement dated 29 June 2022 entered into among the Company, Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), Wuxi Xi Hong Lian Xin Investment Co., Ltd.* (無錫錫虹聯芯投資有限公司), 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), China IC Fund II and Wuxi JV1, pursuant to which the aforesaid parties (except China Integrated Circuit Industry Investment Fund Co., Ltd.* and Wuxi JV1) injected a total sum of US\$800 million into Wuxi JV1

“Wuxi JV1 EPC  
Contract”

the agreement dated 19 February 2023 entered into between Wuxi JV1 and the Contractors in relation to the engineering, procurement and construction work in respect of a total gross floor area of 172,638 square meters at No. 30, Xinzhou Road, Xinwu District in Wuxi, Jiangsu Province, PRC

“Wuxi JV2 EPC  
Contract”

the agreement dated 19 May 2023 entered into between Wuxi JV2 and the Contractors in relation to the engineering, procurement and construction work in respect of a total gross floor area of 529,190.95 square meters on the Land

“%”

per cent.

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

\* *For identification purpose only*

Hong Kong, 19 May 2023

*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