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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisors.

If you have sold or transferred all your shares in Hua Hong Semiconductor Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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: 01347)

MAJOR TRANSACTIONS IN RELATION TO THE EPC CONTRACTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting (the “EGM”) of Hua Hong Semiconductor Limited to be held on 26 June 2023 at 11:00 a.m., with a combination of a physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong and a virtual meeting online, is set out on pages 42 to 43 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huahonggrace.com).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) using the username and password provided on the notification letter sent by the Company on 5 June 2023, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 11:00 a.m. on 23 June 2023. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

5 June 2023

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DEFINITIONS

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

| | |
|-------------------------------------|---|
| “Announcement” | the announcement of the Company dated 19 May 2023 regarding the major transactions in relation to the EPC Contracts |
| “Articles” | the articles of association of the Company |
| “Board” | board of Directors |
| “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 |
| “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 |
| “connected person(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “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 |

DEFINITIONS

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| “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 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Huahong Group” | Shanghai Huahong (Group) Co., Ltd (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronic 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, and 18.36%, 18.36% and 11.69% respectively by Shanghai International Group Corporation Limited* (上海國際集團有限公司), Shanghai Guosheng Group Co., Ltd* (上海國盛(集團)有限公司) and INESA (Group) Co., Ltd.* (上海儀電(集團)有限公司), all of which are wholly-owned subsidiaries of Shanghai SASAC |
| “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 |

DEFINITIONS

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|---------------------------|---|
| “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 |
| “Latest Practicable Date” | 29 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Rules” | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Model Code” | The Model Code for Securities Transactions by Directors of Listed Issuers |
| “PRC” | the People’s Republic of China, but for the purposes of this circular 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 |
| “SAIL” | Shanghai Alliance Investment Ltd (上海聯和投資有限公司), a company incorporated in the PRC on September 26, 1994 and a substantial shareholder of the Company |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “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 |
| “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) |

DEFINITIONS

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| “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 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 IC Fund, China IC Fund II and Wuxi JV1, pursuant to which the aforesaid parties (except China IC Fund 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” | 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 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. |

DEFINITIONS

In this circular, the terms “associate”, “connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *For identification purpose only*

LETTER FROM THE BOARD



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 01347)

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

Kai Huen Wong, JP

Long Fei Ye

Registered Office:

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Bank of America Tower

12 Harcourt Road, Central

Hong Kong

Principal Place of Business in PRC:

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Shanghai, PRC

Postcode: 201203

No. 30, Xinzhou Road

Xinwu District

Wuxi, Jiangsu, PRC

Postcode: 214000

5 June 2023

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTIONS IN RELATION TO THE EPC CONTRACTS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

We refer to the Announcement in respect of the entering into of (i) the Wuxi JV1 EPC Contract among Wuxi JV1 and the Contractors, 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 and (ii) the Wuxi JV2 EPC Contract among Wuxi JV2 and the Contractors, 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 under the Land Transfer Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, amongst other things, (i) further details of the EPC Contracts; (ii) a notice to the Shareholders convening the EGM to approve the transactions contemplated under the Wuxi JV2 EPC Contract and a proxy form; and (iii) other information as required to be disclosed under the Listing Rules.

2. 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, as at the Latest Practicable Date, 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

LETTER FROM THE BOARD

- (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:

| Fees (inclusive of tax) | Amount (RMB) |
|---|--------------------------------|
| 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 | 65,000,000.00 |
| Total | <u>1,262,280,352.09</u> |

Consideration adjustment mechanism

The total consideration is subject to adjustment where (i) there are any changes to the instructions of Wuxi JV1 or any changes proposed by the Contractors from time to time or (ii) the Contractors encounter unforeseen difficulties out of their control in the course of the construction.

In such case, the parties have agreed that the consideration of the Wuxi JV1 EPC Contract shall be adjusted by the following steps:

1. Changes proposed by either party:
 - (a) Wuxi JV1 shall issue its amended instructions in writing and approved by its engineer, which may include the scope of construction and/or materials to be used, and shall notify the Contractors of such details accordingly.

LETTER FROM THE BOARD

- (b) The Contractors may propose reasonable amendments to the overall construction plan, which Wuxi JV1 shall approve as it deems appropriate.
- 2. The Contractors shall submit a written report, detailing (i) the reasons for agreeing to or disagreeing with the suggested adjustments, (ii) the execution plan (if any) and (iii) the impact on the total consideration and the construction timeline.
- 3. To the extent that the item(s) subject to the proposed changes falls within the pre-agreed item price list appended to the Wuxi JV1 EPC Contract or is similar to the items set out therein, the consideration shall be adjusted with reference to the item price list. Otherwise, the parties shall agree to a new quotation to be provided by the Contractors.
- 4. All adjustments to the consideration under the Wuxi JV1 EPC Contract shall be approved by Wuxi JV1.

To the best knowledge of the Directors, as at the Latest Practicable Date, the Company is not aware of any additional costs to be incurred in relation to the Wuxi JV1 EPC Contract.

There is no cap to the adjustment to the total consideration under the Wuxi JV1 EPC Contract. Should the total consideration be adjusted such that the transaction would fall under a different classification set out in Rule 14.08 of the Listing Rules, the Company will comply with additional requirements under Chapter 14 of the Listing Rules as and when appropriate.

Public tender process

Wuxi JV1 invited public tenders for the construction work under the Wuxi JV1 EPC Contract, which involved three stages: (i) invitation to tender; (ii) review of tender documents; and (iii) tender selection.

LETTER FROM THE BOARD

9 groups of entities submitted their tenders, which were assessed by a special committee (the “**Wuxi JV1 Tender Committee**”) commissioned by Wuxi JV1 in accordance with applicable laws and regulations in the PRC consisting of 9 external and independent experts in the construction industry. In assessing the tenders submitted by the Contractors, the Wuxi JV1 Tender Committee took into account, amongst others, the following factors: (1) the work plan and design proposed by the tenderers and their technical capability and qualifications; (2) the reputation of tenderers; (3) the financial and management resources of the tenderers; (4) the experience of the tenderers in similar projects; and (5) the proposed tender prices.

The Board is of the view that the evaluation criteria of the public tender was in line with market practice for construction projects comparable to the Wuxi JV1 EPC Contract because the evaluation criteria considered by the Wuxi JV1 Tender Committee were provided for in the relevant PRC government and industry regulations

Given that (i) the Contractors were selected among 9 groups of tenderers through a formal and standardised tender process involving an impartial and holistic assessment by the Wuxi JV1 Tender Committee in accordance with the tender documents and the applicable laws and regulations and (ii) the Contractors were also engaged by Wuxi JV1 for the construction work of its fab in 2018, the Board is of the view that the Contractors possess the relevant knowledge, expertise and experience to carry out the construction under the Wuxi JV1 EPC Contract. The proposed tender price of the Contractors was also consistent with the market rates of comparable construction projects and with those offered by other tenderers.

LETTER FROM THE BOARD

Allocation of work and consideration payable to each Contractor

Pursuant to the Wuxi JV1 EPC Contract, EDRI is the overall coordinator of the project and is responsible for (i) the design work, (ii) electronic engineering and (iii) engineering procurement management, whereas Shanghai Construction is responsible for the main construction work. In light of the aforesaid division of labour, Wuxi JV1 expects that the Construction and Installation Fee will be payable to Shanghai Construction, while the Design Fee, Electronic Engineering Construction Fee and Engineering Procurement Management Fee will be payable to EDRI. As set out in the section headed “Payment terms” below, the Risk Management Fee serves as a provision for reimbursement to the Contractors upon occurrence of any unforeseeable events in the course of the construction and therefore has not been allocated to any of the Contractors yet.

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 set out above, 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: | Milestone completed/to be completed | (Expected) Date |
|--|---|------------------------|
| | 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 |

LETTER FROM THE BOARD

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.

Wuxi JV1 has appointed employees with the appropriate qualifications to assist in assessing the progress of the construction work at various stages by tracking the Contractors' progress against the construction plans, monitoring the quality and safety of the construction work and reporting to Wuxi JV1 on a regular basis. Wuxi JV1 and the Contractors will hold weekly meetings to discuss and evaluate the progress of the construction work under the Wuxi JV1 EPC Contract.

Pursuant to the Wuxi JV1 EPC Contract, the Contractors have undertaken to prepare an initial construction plan within 14 days of the date of the Wuxi JV1 EPC Contract. They are also required to submit weekly reports to Wuxi JV1 setting out the construction progress made over the past week and the plan for the coming week. In addition, the Contractors shall submit monthly reports to Wuxi JV1 detailing the construction plan for the coming month and the fees incurred over the past month. Wuxi JV1 shall review and approve the monthly report before tendering the progress payments due to the Contractors for that month. Please refer to the section headed "Payment terms" below for details of monthly payments.

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.

LETTER FROM THE BOARD

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:

| Event | Portion of Design Fee (%) |
|---|--|
| 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% |

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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);

LETTER FROM THE BOARD

2.4.2 Upon completion of (i) acceptance inspections by Wuxi JV1, (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.

Penalty: In the event of any delay in construction progress caused by the Contractors, the Contractors shall pay Wuxi JV1 a penalty of 0.1% of the total consideration under the Wuxi JV1 EPC Contract for each day of delay up to an amount of 10% of the total consideration.

LETTER FROM THE BOARD

Early Termination: The Wuxi JV1 EPC Contract can be terminated by either Wuxi JV1 or the Contractors on the grounds set out below:

Termination by Wuxi JV1:

Wuxi JV1 has the right to terminate the Wuxi JV1 EPC Contract for, amongst others, the following reasons:

- (i) the construction progress significantly falls behind the agreed schedule and the Contractors fail to take remedial steps in accordance with the instructions of Wuxi JV1;
- (ii) there are serious defects in the quality of the construction which the Contractors fail to rectify within 28 days without any reasonable cause; or
- (iii) the Contractors have been declared bankrupt, have become insolvent or have undergone liquidation.

Termination by the Contractors:

The Contractors have the right to terminate the Wuxi JV1 EPC Contract for, amongst others, the following reasons:

- (i) Wuxi JV1 fails to tender payment within 42 days of the agreed payment timeline;
- (ii) Wuxi JV1 causes a delay in the construction progress; or
- (iii) Wuxi JV1 has been declared bankrupt, has become insolvent or has undergone liquidation.

If Wuxi JV1 or the Contractors terminate the Wuxi JV1 EPC Contract pursuant to any of the above grounds, the consideration shall be paid on a *quantum meruit* basis. Such duty of Wuxi JV1 and/or the Contractors to pay the other party the agreed compensation shall survive termination and shall be discharged only if the agreed compensation has been fully paid. The Contractors must also remove all materials, tools, equipment and facilities from the construction sites upon the termination of the Wuxi JV1 EPC Contract.

Wuxi JV1 and the Contractors shall engage in amicable negotiation with a view to settling any dispute arising out of or in connection with the Wuxi JV1 EPC Contract. If the dispute cannot be resolved by way of amicable negotiation, Wuxi JV1 and/or the Contractors is/are entitled to lodge their claim(s) with the competent courts of Wuxi city, Jiangsu Province, PRC.

LETTER FROM THE BOARD

3. 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, as at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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:

| Fees (inclusive of tax) | Amount (RMB) |
|---|--------------------------------|
| 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 | <u>330,000,000.00</u> |
| Total | <u>8,279,918,798.65</u> |

Consideration adjustment mechanism

The total consideration is subject to adjustment where (i) there are any changes to the instructions of Wuxi JV2 or any changes proposed by the Contractors from time to time or (ii) the Contractors encounter unforeseen difficulties out of their control in the course of the construction.

In such case, the parties have agreed that the consideration of the Wuxi JV2 EPC Contract shall be adjusted by the following steps:

1. Changes proposed by either party:
 - (a) Wuxi JV2 shall issue its amended instructions in writing and approved by its engineer, which may include the scope of construction and/or materials to be used, and shall notify the Contractors of such details accordingly.
 - (b) The Contractors may propose reasonable amendments to the overall construction plan, which Wuxi JV2 shall approve as it deems appropriate.
2. The Contractors shall submit a written report, detailing
 - (i) the reasons for agreeing to or disagreeing with the suggested adjustments, (ii) the execution plan (if any) and (iii) the impact on the total consideration and the construction timeline.

LETTER FROM THE BOARD

3. To the extent that the item(s) subject to the proposed changes falls within the pre-agreed item price list appended to the Wuxi JV2 EPC Contract or is similar to the items set out therein, the consideration shall be adjusted with reference to the item price list. Otherwise, the parties shall agree to a new quotation to be provided by the Contractors.
4. All adjustments to the consideration under the Wuxi JV2 EPC Contract shall be approved by Wuxi JV2.

To the best knowledge of the Directors, as at the Latest Practicable Date, the Company is not aware of any additional costs to be incurred in relation to the Wuxi JV2 EPC Contract.

There is no cap to the adjustment to the total consideration under the Wuxi JV2 EPC Contract. Should the total consideration be adjusted such that the transaction would fall under a different classification set out in Rule 14.08 of the Listing Rules, the Company will comply with additional requirements under Chapter 14 of the Listing Rules as and when appropriate.

Public tender process

Wuxi JV2 invited public tenders for the construction work under the Wuxi JV2 EPC Contract, which involved three stages: (i) invitation to tender; (ii) review of tender documents; and (iii) tender selection.

7 groups of entities submitted their tenders, which were assessed by a special committee (the “**Wuxi JV2 Tender Committee**”) commissioned by Wuxi JV2 in accordance with applicable laws and regulations in the PRC consisting of 9 external and independent experts in the construction industry. In assessing the tenders submitted by the Contractors, the Wuxi JV2 Tender Committee took into account, amongst others, the following factors: (1) the work plan and design proposed by the tenderers and their technical capability and qualifications; (2) the reputation of tenderers; (3) the financial and management resources of the tenderers; (4) the experience of the tenderers in similar projects; and (5) the proposed tender prices.

LETTER FROM THE BOARD

The Board is of the view that the evaluation criteria of the public tender was in line with market practice for construction projects comparable to the Wuxi JV2 EPC Contract because the evaluation criteria considered by the Wuxi JV2 Tender Committee were provided for in the relevant PRC government and industry regulations.

Given that (i) the Contractors were selected among 7 groups of tenderers through a formal and standardised tender process involving an impartial and holistic assessment by the Wuxi JV2 Tender Committee in accordance with the tender documents and the applicable laws and regulations and (ii) the Contractors were also engaged by Wuxi JV1 for the construction work of latter's fab in 2018, the Board is of the view that the Contractors possess the relevant knowledge, expertise and experience to carry out the construction under the Wuxi JV2 EPC Contract. The proposed tender prices of the Contractors under the Wuxi JV2 EPC Contract was also consistent with the market rates of comparable construction projects and with those offered by other tenderers.

Allocation of work and consideration payable to each Contractor

Pursuant to the Wuxi JV2 EPC Contract, EDRI is the overall coordinator of the project and is responsible for (i) the design work, (ii) electronic engineering and (iii) engineering procurement management, whereas Shanghai Construction is responsible for the main construction work. In light of the aforesaid division of labour, Wuxi JV2 expects that the Construction and Installation Fee will be payable to Shanghai Construction, while the Design Fee, Electronic Engineering Construction Fee and Engineering Procurement Management Fee will be payable to EDRI. As set out in the section headed "Payment terms" below, the Risk Management Fee serves as a provision for reimbursement to the Contractors upon occurrence of any unforeseeable events in the course of the construction and therefore has not been allocated to any of the Contractors yet.

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 set out above, Wuxi JV2 selected the Contractors as the tender winners.

LETTER FROM THE BOARD

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.

| | | |
|---------------------------------|--|----------------------|
| Expected construction timeline: | Milestone completed or to be completed | Expected Date |
| | 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.

Wuxi JV2 has appointed employees with the appropriate qualifications to assist in assessing the progress of the construction work at various stages by tracking the Contractors' progress against the construction plans, monitoring the quality and safety of the construction work and reporting to Wuxi JV2 on a regular basis. Wuxi JV2 and the Contractors will hold weekly meetings to discuss and evaluate the progress of the construction work under the Wuxi JV2 EPC Contract.

LETTER FROM THE BOARD

Pursuant to the Wuxi JV2 EPC Contract, the Contractors have undertaken to prepare an initial construction plan within 14 days of the date of the Wuxi JV2 EPC Contract. They are also required to submit weekly reports to Wuxi JV2 setting out the construction progress made over the past week and the plan for the coming week. In addition, the Contractors shall submit monthly reports to Wuxi JV2 detailing the construction plan for the coming month and the fees incurred over the past month. Wuxi JV2 shall review and approve the monthly report before tendering the progress payments due to the Contractors for that month. Please refer to the section headed “Payment terms” below for details of monthly payments.

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.

LETTER FROM THE BOARD

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:

| Event | Portion of Design Fee (%) |
|---|--|
| 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;

LETTER FROM THE BOARD

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;

LETTER FROM THE BOARD

2.3.2 Upon completion of (i) acceptance inspections by Wuxi JV2 ,(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%;

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

Penalty: In the event of any delay in construction progress caused by the Contractors, the Contractors shall pay Wuxi JV2 a penalty of 0.1% of the total consideration under the Wuxi JV2 EPC Contract for each day of delay up to an amount of 10% of the total consideration.

Early Termination: The Wuxi JV2 EPC Contract can be terminated by either Wuxi JV2 or the Contractors on the grounds set out below:

Termination by Wuxi JV2:

Wuxi JV2 has the right to terminate the Wuxi JV2 EPC Contract for, amongst others, the following reasons:

- (i) the construction progress significantly falls behind the agreed schedule and the Contractors fail to take remedial steps in accordance with the instructions of Wuxi JV2;
- (ii) there are serious defects in the quality of the construction which the Contractors fail to rectify within 28 days without any reasonable cause; or
- (iii) the Contractors have been declared bankrupt, have become insolvent or have undergone liquidation.

Termination by the Contractors:

The Contractors have the right to terminate the Wuxi JV2 EPC Contract for, amongst others, the following reasons:

- (i) Wuxi JV2 fails to tender payment within 42 days of the agreed payment timeline;
- (ii) Wuxi JV2 causes a delay in the construction progress; or
- (iii) Wuxi JV2 has been declared bankrupt, has become insolvent or has undergone liquidation.

LETTER FROM THE BOARD

If Wuxi JV2 or the Contractors terminate the Wuxi JV2 EPC Contract pursuant to any of the above grounds, the consideration shall be paid on a quantum meruit basis. Such duty of Wuxi JV2 and/or the Contractors to pay the other party the agreed compensation shall survive termination and shall be discharged only if the agreed compensation has been fully paid. The Contractors must also remove all materials, tools, equipment and facilities from the construction sites upon the termination of the Wuxi JV2 EPC Contract.

Wuxi JV2 and the Contractors shall engage in amicable negotiation with a view to settling any dispute arising out of or in connection with the Wuxi JV2 EPC Contract. If the dispute cannot be resolved by way of amicable negotiation, Wuxi JV2 and/or the Contractors is/are entitled to lodge their claim(s) with the competent courts of Wuxi city, Jiangsu Province, PRC.

4. 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 has 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.

LETTER FROM THE BOARD

(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 (300 mm) 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 (300 mm) 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.

5. FINANCIAL EFFECTS OF THE EPC CONTRACTS

As a result of entering into the EPC Contracts, the fixed assets of the Group will increase by approximately RMB9.56 billion and the liabilities of the Group will not be changed upon settling the payment obligations under the EPC Contracts. The buildings to be constructed under the Wuxi JV1 EPC Contracts are supporting facilities and therefore are not revenue-generating. The overall effects of entering into the Wuxi JV2 EPC Contract on the future earnings of the Group will depend on the return to be generated from the operation of Wuxi JV2.

6. 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 (300 mm) 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 (300 mm) 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.

LETTER FROM THE BOARD

7. 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.

To the best of the knowledge of the Directors, (i) 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; and (ii) as at the Latest Practicable Date, no Shareholders or any of their respective associates had any material interest in the Wuxi JV2 EPC Contract and none of the Shareholders was required to abstain from voting in favour of the resolutions to approve the entering into of the Wuxi JV2 EPC Contract.

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.

8. EXTRAORDINARY GENERAL MEETING AND VOTING

A notice of the EGM, which contains the resolutions to approve the entering into of the Wuxi JV2 EPC Contract and the transactions contemplated thereunder, is set out from pages 42 to 43 of this circular.

The Company will conduct a hybrid extraordinary general meeting with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the EGM either (a) through the physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone. Registered Shareholders will be able to attend the EGM, vote and submit questions online. Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote and submit questions online. In this regard, you should consult directly with your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the “**Intermediary**”) and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, you will

LETTER FROM THE BOARD

be asked to provide your email address, before the time limit required by the relevant Intermediary. Details regarding the e-Meeting System including the login details will be emailed to you by the Company's Share Registrar, Tricor Investor Services Limited.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huahonggrace.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 11:00 a.m. on 23 June 2023. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (both days inclusive), during which period no transfer of Shares in the Company will be registered. In order to qualify for attending and voting at the EGM, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Monday, 19 June 2023. All persons who are registered holders of the Shares on Monday, 26 June 2023, the record date for the EGM, will be entitled to attend and vote at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM shall therefore demand voting on the resolution set out in the notice of the EGM be taken by way of poll pursuant to Article 64 of the Articles. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby such Shareholder had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

LETTER FROM THE BOARD

9. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that it is in the best interests of the Company and the Shareholders as a whole to enter into the Wuxi JV2 EPC Contract and the transactions contemplated thereunder; the terms of the Wuxi JV2 EPC Contract are fair and reasonable; and the entering into of Wuxi JV2 EPC Contract and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

10. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Hua Hong Semiconductor Limited
Suxin Zhang
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the annual reports of the Company for the years ending 31 December 2020, 2021 and 2022 published on 13 April 2021, 7 April 2022 and 11 April 2023 respectively. There was no qualified audit opinion expressed on the financial statements of the Group for the aforementioned three years.

The above annual reports of the Company have been published on both the website of the Stock Exchange and the website of the Company, and the relevant links to these annual reports are set out below:

2022 annual report:

- (i) <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0411/2023041100149.pdf>
- (ii) http://media-huahonggrace.todayir.com/20230411074801773710682906_en.pdf

2021 annual report:

- (i) <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0407/2022040700261.pdf>
- (ii) http://media-huahonggrace.todayir.com/20220407121601367010205034_en.pdf

2020 annual report:

- (i) <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0413/2021041300163.pdf>
- (ii) http://media-huahonggrace.todayir.com/2021041312080183749715768_en.pdf

2. STATEMENT OF INDEBTEDNESS**Debt securities and term loans**

As at the close of business of 30 April 2023, save as disclosed in respect of the borrowings and indebtedness of the Group below, the Group has no debt securities issued or outstanding, or authorised or otherwise created but unissued, and no term loans, including those guaranteed, unguaranteed, secured (whether the security is provided by the Company or by independent third parties) or unsecured.

Borrowings and indebtedness

As at the close of business of 30 April 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has outstanding borrowings and indebtedness of approximately USD1,917 million. The Group's bank loans were all secured.

Contingent liabilities

As at the close of business of 30 April 2023, the Group has no material contingent liability or guarantees.

Mortgage and charges

As at the close of business of 30 April 2023, the Group's above outstanding secured borrowings were secured by the Group's property, plant and equipment, inventory, land-use right, cash deposit and credit.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 April 2023.

The Directors confirm that there was no material change in the indebtedness status of the Group since 30 April 2023 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the EPC Contracts and the transactions contemplated thereunder, its internal resources, the financial resources available to the Group, including its existing cash and cash equivalents on hand, its cash flow from operating activities, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking ahead to 2023, the global economic recovery is still facing many uncertainties. The slowdown of global economic growth and the decline of traditional consumer demand may become the common challenges for players in the semiconductor industry in the coming year. In light of the declining external demand and accelerating upgrade and transformation of domestic demand, the Company actively expands into emerging markets such as electric vehicles, new energy power generation and other fields to accelerate the matching of the new market demand and to maintain sustainable and healthy business development in line with the market trend.

In 2023, the Company will continue to further enhance the competitiveness of its 12-inch production platform with more diversified and advanced differentiated technology. In terms of production capacity, in order to better meet the long-term demand of the domestic semiconductor market, the Company will continue adopting its "8-inch + 12-inch" strategy of optimizing the existing 8-inch platform and expanding production capacity of the 12-inch

platform, and start the construction of Wuxi JV2 in due course. In terms of products, all fabs of the Company are IATF16949 compliant. In 2023, the Company will continuously improve its automotive electronics product lines to seize the market opportunity of great demand for semiconductor components in the supply chain of the domestic automotive market. In terms of technology research and development, the Company is actively promoting the logic RF technology and the embedded flash (eFlash) technology platform to further increase output, as well as optimizing the performance and power consumption indicators to make the eFlash platform more competitive for Micro Controller Unit (MCU) market applications. In the field of power discrete, the 12-inch SJ and Insulated Gate Bipolar Transistor (IGBT) technology platform will continue to iterate and optimize device structures to maintain product performance at an industry-leading level. In the field of PMIC, the 100V Bipolar-CMOS-DMOS BCD technology will soon be completed, while the 12-inch BCD + eFlash platform will soon commence mass production. In addition, the 12-inch production platform enhances the Company's development of smaller nodes, and the Company plans to continuously upgrade its differentiated technologies to more advanced nodes.

2023 will continue to be a year of both challenges and opportunities for the Company. The Company will unswervingly focus on promoting its differentiation strategy, and the original "IC+ Power Discrete" product strategy will be enhanced with the support of the "8-inch + 12-inch" production platforms.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interest or short position of the Directors of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, are as follows:

| Name of Director | Nature of interest | Number of underlying shares held in long position (Note 1) | Approximate percentage of interests as at the Latest Practicable Date |
|------------------|--------------------|--|---|
| Mr. Junjun TANG | Beneficial owner | 437,500 | 0.03% |

Note:

- (1) Long position in the underlying shares of the Company under share options granted pursuant to the share option scheme adopted by the Company on 1 September 2015. The exercisable price per Share is HK\$18.400. As at the Latest Practicable Date, Mr. Junjun TANG had not exercised any of such share options.

Save as disclosed above, so far as known to any Directors, as at the Latest Practicable Date, none of the Directors of the Company or any of their associates had or was deemed to have any interest or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations as defined in Part XV of the SFO, which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to the Directors, the persons or entities, other than a Director or chief executive of the Company, who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

| Name of substantial Shareholder | Nature of interest | Number of Shares directly or indirectly held | Approximate percentage of interests (%) |
|---|--------------------------------------|--|---|
| Shanghai Hua Hong International, Inc. ("Hua Hong International") (Note 1) | Legal and beneficial owner | 347,605,650 | 26.57 |
| Huahong Group (Note 1) | Interest in a controlled corporation | 347,605,650 | 26.57 |
| Sino-Alliance International, Ltd. ("Sino-Alliance International") (Note 2) | Legal and beneficial owner | 160,545,541 | 12.27 |
| Sino-Alliance International (Note 2) | Interest in a controlled corporation | 28,415,606 | 2.17 |
| SAIL (Note 3) | Interest in a controlled corporation | 188,961,147 | 14.45 |
| Xinxin (Hongkong) Capital Co., Limited (Note 4) | Legal and beneficial owner | 178,705,925 | 13.66 |
| Xun Xin (Shanghai) Investment Co., Ltd. (Note 4) | Interest in a controlled corporation | 178,705,925 | 13.66 |
| China IC Fund | Interest in a controlled corporation | 178,705,925 | 13.66 |

Notes:

1. Hua Hong International is a wholly-owned subsidiary of Huahong Group.
2. Including 3,084 shares held in escrow by Sino-Alliance International pursuant to an escrow arrangement. As at Latest Practicable Date, Sino-Alliance International directly held 160,545,541 shares and indirectly held 28,415,606 shares in the Company through its wholly-owned subsidiary.

3. SAIL indirectly held beneficial ownership in the Company through two wholly-owned subsidiaries, including Sino-Alliance International.
4. Xinxin (Hongkong) Capital Co., Limited is a wholly-owned subsidiary of Xun Xin (Shanghai) Investment Co., Ltd., which is in turn a wholly-owned subsidiary of China IC Fund.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Company has not been notified by any persons (other than a Director or chief executive of the Company) who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

4. DIRECTORS' OTHER INTERESTS

- (a) Save as disclosed in this circular, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.
- (b) None of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or lease to member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any of its subsidiaries which is expiring within one year or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware of, none of the Directors and their respective close associates (as defined under the Listing Rules) was interested in any business which competes or was likely to compete, either directly or indirectly, with the business of the Company or the Group.

7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.huahonggrace.com) during the period of 14 days from the date of this circular:

- (a) the Wuxi JV1 EPC Contract;
- (b) the Wuxi JV2 EPC Contract; and
- (c) this circular.

10. GENERAL

- (a) The company secretary of the Company is Ms. Sui Har Lee, who is a practicing solicitor admitted in the Hong Kong.
- (b) The registered office of the Company is at Room 2212, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 01347)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the “EGM”) of Hua Hong Semiconductor Limited (the “Company”) will be held at 11:00 a.m. on 26 June 2023 with the combination of a physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong and a virtual meeting online for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** the agreement dated 19 May 2023 (the “**Wuxi JV2 EPC Contract**”) entered into among Hua Hong Semiconductor Manufacturing (Wuxi) Co., Ltd.* (華虹半導體製造(無錫)有限公司) (“**Wuxi JV2**”), 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) (“**EDRI**”) and Shanghai Construction No. 4 (Group) Co., Ltd. (上海建工四建集團有限公司) (“**Shanghai Construction**”, together with EDRI, the “**Contractors**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose), 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 at the land owned by Wuxi JV2 located at No. 30-1, Xinzhou Road, Wuxi City, Jiangsu Province, PRC, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified.”
2. “**THAT** any one director of the Company be and is hereby authorized to do all such acts and things, to sign and execute documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Wuxi JV2 EPC Contract and/or any transactions contemplated thereunder, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of such director, in the interests of the Company and its shareholders as a whole.”

By Order of the Board
Hua Hong Semiconductor Limited
Suxin Zhang
Chairman

5 June 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The Company will conduct a hybrid Extraordinary General Meeting with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the Extraordinary General Meeting either (a) through the physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone. Registered Shareholders will be able to attend the Extraordinary General Meeting, vote and submit questions online. Each registered Shareholder's personalized login and access code will be sent to him or her under separate letter.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the Extraordinary General Meeting, vote and submit questions online. In this regard, you should consult directly with your banks, brokers, custodians, nominees or HKSCC Nominees Limited through which your shares are held (as the case may be) (collectively the “**Intermediary**”) and instruct the Intermediary to appoint you as proxy or corporate representative to attend and vote at the EGM electronically and in doing so, you will be asked to provide your email address, before the time limit required by the relevant Intermediary. Details regarding the e-Meeting System including the login details will be emailed to you by the Company's Share Registrar, Tricor Investor Services Limited.

2. The proposed resolutions at the Extraordinary General Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
3. A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 5 June 2023, not less than 48 hours before the time fixed for holding the Extraordinary General Meeting or any adjourned meeting thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 11:00 a.m. on 23 June 2023. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Registered Shareholders are requested to provide a valid email address of his or her proxy (except appointment of “The Chairman of the Meeting”) for the proxy to receive the login and access code to participate online to the e-Meeting System.
6. For determining the entitlement to attend and vote at the Extraordinary General Meeting, the register of members of the Company will be closed from 20 June 2023 to 26 June 2023 (both days inclusive), during which period no transfer of Shares in the Company will be registered. In order to qualify for attending and voting at the Extraordinary General Meeting, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 19 June 2023. All persons who are registered holders of the Shares on 26 June 2023, the record date for the Extraordinary General Meeting, will be entitled to attend and vote at the Extraordinary General Meeting.
7. Upon arrival at the venue of the Extraordinary General Meeting, voting slip(s) will be given to every Shareholder present in person (or in the case of a corporation by its authorized representative) or by proxy to cast his/her/its vote(s). Each Shareholder/authorized representative/proxy present in venue will have to access to the e-Meeting System via the QR Code given on the voting slip and cast his/her vote(s) on the e-Meeting System. If registered Shareholders would like to participate online, he/she can log on to the e-Meeting System using his/her personalized login and access code and cast his/her vote(s) on the e-Meeting System. Each Shareholders' proxy authorization and instruction will be revoked if he/she attend in person at the Extraordinary General Meeting or attend via the e-Meeting System. For details, please refer to the Online Meeting User Guide available at the e-Meeting System.
8. Since the Company will conduct a hybrid extraordinary general meeting with the combination of a physical meeting and a virtual meeting online, certain Director(s) may attend the EGM through telephone/video conference or similar electronic means.
9. A circular containing further details concerning paragraphs 1 to 2 in this notice will be sent to all Shareholders of the Company.