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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)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (1) RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS (2) NEW CONTINUING CONNECTED TRANSACTIONS IN RELATION TO HUA HONG MANUFACTURING

Reference is made to the announcements of the Company dated (i) 31 December 2020 in relation to the 2021 Corporate Services Agreement; (ii) 30 December 2022 in relation to the 2023 Huahong Group Framework Agreement, the 2023 Chemical Plating Service Agreement, the 2023 Huajin Management Agreement and the 2023 Huali Micro Clean Room Lease and (iii) 1 December 2023 in relation to the revision of sales transactions annual cap under the 2023 Huahong Group Framework Agreement.

The Board is pleased to announce that, on 22 December 2023, the Group has entered into the 2024 Huahong Group Framework Agreement, 2024 Huajin Property Management Agreement and the 2024 Huali Micro Clean Room Lease to renew certain existing continuing connected transactions. The Board has also approved certain new continuing connected transactions, namely the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement.

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

(a) The 2024 Huahong Group Framework Agreement

The 2023 Huahong Group Framework Agreement will expire on 31 December 2023. As the Group intends to continue (i) selling semiconductor products to Huahong Group Companies and (ii) purchasing materials and other semiconductor products from Huahong Group Companies in the year of 2024 as part of the Group's ordinary course of business, on 22 December 2023, the Company and Huahong Group entered into the 2024 Huahong Group Framework Agreement for the purpose of regulating such transactions for the period commencing on 1 January 2024 to 31 December 2024 (both dates inclusive).

(b) The 2024 Huajin Property Management Agreement

The 2023 Huajin Management Agreement will expire on 31 December 2023. On 22 December 2023, as part of the Group's ordinary course of business, HHGrace entered into the 2024 Huajin Property Management Agreement with Huajin Property Management to continue engaging Huajin Property Management to provide property management services in respect of the Dormitory Premises leased by the Group for the period commencing on 1 January 2024 to 31 December 2024 (both dates inclusive).

(c) The 2024 Huali Micro Clean Room Lease

The 2023 Huali Micro Clean Room Lease will expire on 31 December 2023. On 22 December 2023, as part of the Group's ordinary course of business, HHGrace and Huali Micro entered into the 2024 Huali Micro Clean Room Lease, pursuant to which, as part of the Group's ordinary course of business, HHGrace has agreed to lease certain clean rooms in its factory premises to Huali Micro for the period commencing on 1 January 2024 to 31 December 2024 (both dates inclusive).

(d) The 2024 Chemical Plating Service Agreement

The 2023 Chemical Plating Service Agreement will expire on 31 December 2023. On 22 December 2023, HHGrace and Hua Hong Wuxi entered into the 2024 Chemical Plating Service Agreement, pursuant to which, as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide chemical plating services to HHGrace for the period commencing on 1 January 2024 to 31 December 2024 (both dates inclusive).

(e) 2024 Corporate Services Agreement

The 2021 Corporate Services Agreement will expire on 31 December 2023. On 22 December 2023, HHGrace and Hua Hong Wuxi entered into the 2024 Corporate Services Agreement, pursuant to which, as part of the Group's ordinary course of business, HHGrace has agreed to provide the Corporate Services to Hua Hong Wuxi for a three-year period commencing on 1 January 2024 to 31 December 2026 (both dates inclusive).

NEW CONTINUING CONNECTED TRANSACTIONS

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

(a) Intra-JV Services Agreement

To support the early-stage operations of Hua Hong Manufacturing, on 22 December 2023, Hua Hong Wuxi and Hua Hong Manufacturing entered into the Intra-JV Services Agreement, pursuant to which, as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide the Intra-JV Services to Hua Hong Manufacturing for the period commencing on 1 January 2024 to 31 December 2026 (both dates inclusive).

(b) Hua Hong Manufacturing Commissioned Training Agreement

On 1 July 2023, Hua Hong Wuxi and Hua Hong Manufacturing entered into the Hua Hong Manufacturing Commissioned Training Agreement, pursuant to which, as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide Commissioned Training services to Hua Hong Manufacturing for the period commencing on 1 July 2023 to 30 June 2024 (both dates inclusive).

LISTING RULES IMPLICATIONS

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

- Huahong Group and the Huahong Group Companies, including Huali Micro, Hongri, Huahong Zealcore, Huahong Real Estate and Huajin Property Management; and
- Hua Hong Wuxi, which is a non-wholly owned connected subsidiary of the Company held as to approximately 20.58% by China IC Fund.

Accordingly, (i) the 2024 Huahong Group Framework Agreement; (ii) the 2024 Huajin Property Management Agreement; (iii) the 2024 Huali Micro Clean Room Lease; (iv) the 2024 Chemical Plating Service Agreement; (v) the 2024 Corporate Services Agreement; (vi) the Intra-JV Services Agreement and (vii) the Hua Hong Manufacturing Commissioned Training Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(a) The 2024 Huahong Group Framework Agreement, the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Huahong Group Purchase Transactions Annual Cap, the Huahong Group Sales Transactions Annual Cap and the annual caps under the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huahong Group Framework Agreement, the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(b) The 2024 Huajin Property Management Agreement

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2024 Huajin Property Management Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2024 Huajin Property Management Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huajin Property Management Agreement, the 2023 Dormitory Lease and the Huahong Real Estate Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(c) The 2024 Huali Micro Clean Room Lease and the Huali Micro Lease

Since the Group acts as the landlord under the property leases with Huali Micro pursuant to the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(d) The Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement

For the avoidance of doubt, as each of the applicable percentage ratios of the transaction amount in 2023 and the proposed annual cap in 2024 under the Hua Hong Manufacturing Commissioned Training Agreement is lower than 0.1% on an annual basis, it is not subject to an announcement obligation on a standalone basis under Chapter 14A of the Listing Rules. However, since the services provided by Hua Hong Wuxi to Hua Hong Manufacturing under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. THE 2024 HUAHONG GROUP FRAMEWORK AGREEMENT

Reference is made to the announcements of the Company dated 30 December 2022 and 1 December 2023 in relation to the 2023 Huahong Group Framework Agreement and the revision of the 2023 sales transactions annual cap thereunder.

The 2023 Huahong Group Framework Agreement will expire on 31 December 2023. As the Group intends to continue (i) selling semiconductor products to Huahong Group Companies and (ii) purchasing materials and other semiconductor products from Huahong Group Companies in the year of 2024, on 22 December 2023, the Company and Huahong Group entered into the 2024 Huahong Group Framework Agreement as part of the Group's ordinary course of business for the purpose of regulating such transactions.

1.1 Principal terms of the 2024 Huahong Group Framework Agreement

Date:	22 December 2023
Parties:	(i) The Company (on behalf of the Group); and (ii) Huahong Group (on behalf of Huahong Group Companies).
Term:	A term of one year from 1 January 2024 to 31 December 2024 (both dates inclusive).
Nature of transactions:	(i) Sales to Huahong Group Companies <ul style="list-style-type: none">The Group has agreed to sell semiconductor products, including wafers and IC, to Huahong Group Companies as part of the Company's ordinary course of business. (ii) Purchases from Huahong Group Companies <ul style="list-style-type: none">The Group has agreed to purchase semiconductor products (including wafers), chemicals and other commodities from Huahong Group Companies as part of the Company's ordinary course of business.
Payment arrangement:	Each sale and purchase transaction under the 2024 Huahong Group Framework Agreement will be confirmed by a purchase order or an invoice between the parties.

1.2 Pricing basis of sales transactions

Although it is not part of the terms of the 2024 Huahong Group Framework Agreement, the Group follows its price quotation management system under its relevant internal standard operating procedure to determine the prices of the products to be sold under the 2024 Huahong Group Framework Agreement. The price quotation management system requires the relevant internal sales team of the Group to consider and evaluate various factors including the business objectives, strategy and operational factors of the Group on an ongoing basis. In particular, in determining the prices of such products, the relevant internal sales team of the Group considers the costs of the products, the prices of comparable products offered by at least two independent third party competitors in the market and the consumers' likely perception of the values of the products.

As the specifications of the ICs, wafers and other semiconductor products to be sold to Huahong Group Companies under the 2024 Huahong Group Framework Agreement are customized to meet the specific requirements of end customers, the actual demand of the end customers of Huahong Group Companies and the development of the chips application industry in the PRC will also affect the determination of the sales prices for such products.

The Group also adheres strictly to its internal approval procedure under the price quotation management system for the pricing of such products which applies equally to independent third party customers as well as its connected persons to ensure that the sales transactions under the 2024 Huahong Group Framework Agreement shall be conducted on normal commercial terms. The relevant internal sales team of the Group will review the sales prices of the products under the 2024 Huahong Group Framework Agreement on a regular and ongoing basis.

1.3 Pricing basis of purchase transactions

The purchase prices payable by the Group under the 2024 Huahong Group Framework Agreement are determined with reference to the market prices of comparable products which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for identical or comparable products.

Although it is not part of the terms of the 2024 Huahong Group Framework Agreement, the Group follows its relevant internal standard operating procedure to determine the purchase prices of the products under the 2024 Huahong Group Framework Agreement. The internal standard operating procedure requires the procurement team of the Group to collect the relevant market information (e.g. costs and qualities of identical or comparable products, services and reputations of relevant suppliers), to review and compare the quotations obtained from at least two independent suppliers for identical or comparable products, and to convene meetings with the relevant personnel of the Group to discuss and assess the procurement criteria on an ongoing basis. According to the internal standard operating procedure, the relevant internal team of the Group will review the purchase prices of the products under the 2024 Huahong Group Framework Agreement on a regular and ongoing basis.

1.4 Historical transaction amounts and existing annual caps

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

(Unit: USD'000)

Transaction amounts	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the eleven months ended 30 November 2023 (unaudited)
Hongri	3,376	3,342	1,838
Huahong Zealcore	6,404	9,711	15,409
ICRD	8,742	4,394	N/A*
Total	18,522	17,447	17,247

Note: ICRD ceased to be a connected person of the Company since 1 January 2023.

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

(Unit: USD'000)

Transaction amounts	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the eleven months ended 30 November 2023 (unaudited)
Hongri	18,247	18,422	17,078
Huahong Zealcore	688	825	793
Total	18,935	19,247	17,871

The table below sets out the existing annual caps under the 2023 Huahong Group Framework Agreement:

(Unit: USD'000)

Existing annual caps under the 2023 Huahong Group Framework Agreement	For the year ended 31 December 2023
Sales Transactions Annual Cap	21,100
Purchase Transactions Annual Cap	31,500

For detailed annual caps of other continuing connected transactions with various Huahong Group Companies in 2021 and 2022 under various agreements, please refer to the 2021 and 2022 annual reports of the Company.

1.5 Proposed annual caps

The table below sets out the Huahong Group Sales Transactions Annual Cap and the Huahong Group Purchase Transactions Annual Cap under the 2024 Huahong Group Framework Agreement for the year ended 31 December 2024:

(Unit: USD'000)

	For the year ended 31 December 2024
Huahong Group Sales Transactions Annual Cap	29,320
Huahong Group Purchase Transactions Annual Cap	38,500

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

- (a) the historical transaction values and volumes of the products sold to Hongri and Huahong Zealcore, including wafers, ICs and other semiconductor products;
- (b) the expected growth of orders from Hongri, Huahong Zealcore and other Huahong Group Companies (if any) during the year ending 31 December 2024, as the Company continues to see strong market demand for the aforesaid products;
- (c) the expected change in sale price and sale volume in light of (b) above and the general market trend of price hike in the past few years;
- (d) the expected increase in the production capacity of the Group in the coming year; and
- (e) a 5% buffer to cater for any *ad hoc* sale transactions with Huahong Group Companies (if any) that would arise during the course of 2024.

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

- (a) the historical transaction values and volumes of the products purchased from Hongri and Huahong Zealcore, including semiconductor products, chemicals and other commodities;
- (b) the need for the Group to source more wafers, chemicals and other commodities from Huahong Group Companies to support the expansion of its production capacity in 2024;
- (c) the estimated volume of wafers, chemicals and other commodities that Huahong Group Companies can supply;
- (d) the relevant wafers, chemicals and other commodities which can be provided by other independent suppliers; and
- (e) a 5% buffer to cater for any *ad hoc* purchase transactions with Huahong Group Companies (if any) that would arise during the course of 2024.

1.6 Reasons for and benefits of entering into the 2024 Huahong Group Framework Agreement

The Group has established a stable and longstanding business relationship with Huahong Group. As part of its ordinary and usual course of business, the Group has been (i) selling wafers, ICs and other semiconductor products to Hongri and Huahong Zealcore respectively, and (ii) purchasing wafers and chemicals from Hongri and Huahong Zealcore respectively to support the manufacturing processes of semiconductors. In view of the strong market demand of semiconductor products, the Company expects that such transactions with Huahong Group Companies will continue in 2024. The Company believes that it is beneficial to continue consolidating the multiple transactions with different Huahong Group Companies into one framework agreement for administrative efficiency and ease by renewing the 2023 Huahong Group Framework Agreement.

Having reviewed the terms of the 2024 Huahong Group Framework Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the 2024 Huahong Group Framework Agreement are fair and reasonable;
- (ii) the entering into of the 2024 Huahong Group Framework Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the 2024 Huahong Group Framework Agreement is in the interest of the Company and its Shareholders as a whole.

2. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO LEASED PROPERTIES OF THE GROUP

Reference is made to the Prospectus and the announcement of the Company dated 30 December 2022 in relation to, inter alia, (i) the continuing connected transactions between the Group and Huahong Real Estate under the Huahong Real Estate Lease for a term of 20 years; (ii) the 2023 Dormitory Lease; (iii) and the 2023 Huajin Management Agreement which will expire on 31 December 2023.

Since the Huahong Real Estate Lease remains effective until 31 December 2033 and the Group will continue carrying out the transactions contemplated thereunder in its ordinary and usual course of business, the Group continues to engage Huajin Property Management to provide property management services for the Dormitory Premises and therefore agreed to enter into the 2024 Huajin Property Management Agreement.

2.1 The 2024 Huajin Property Management Agreement

Date: 22 December 2023

Parties: (i) HHGrace; and
(ii) Huajin Property Management.

Term: From 1 January 2024 to 31 December 2024 (both dates inclusive).

Nature of transactions: The Group will engage Huajin Property Management to provide property management services for the Dormitory Premises. The total gross floor area of the Dormitory Premises is 27,390.04 square meters.

Pricing basis: The parties have agreed to (i) a monthly management fee of approximately RMB177,487.46, which includes a basic monthly fee of RMB6.48 per square meter of the Dormitory Premises and (ii) security fee, IPTV, internet connection, sewage and electricity fees of approximately RMB272,500 per month, which are determined after arm's length negotiation with reference to (a) management fee rates for similar and comparable buildings to the Dormitory Premises and (b) the inflation of utilities in the PRC.

2.2 Historical amounts and the existing annual caps

The table below sets out the historical transaction amounts paid by the Group to Huahong Real Estate under the Huahong Real Estate Lease, the 2022 Dormitory Lease, the 2021 Huajin Management Agreement, the 2022 Huajin Management Agreement and the 2023 Huajin Management Agreement during the periods indicated below and the respective annual caps:

(Unit: RMB'000)

Transaction amounts	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the eleven months ended 30 November 2023 (unaudited)
Huahong Real Estate Lease	11,504	11,504	10,545
2022 Dormitory Lease	N/A	1,662	N/A
2023 Dormitory Lease	N/A	N/A	5,712
2021 Huajin Management Agreement	2,179	2,445	N/A
2022 Huajin Management Agreement	N/A	268	N/A
2023 Huajin Management Agreement	N/A	N/A	3,536
	<u>13,084</u>	<u>15,879</u>	<u>19,793</u>

(Unit: RMB'000)

Annual caps	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Huahong Real Estate Lease	12,000	12,000	12,700
2022 Dormitory Lease	N/A	1,800	N/A
2023 Dormitory Lease	N/A	N/A	7,300
2021 Huajin Management Agreement	1,800	4,000	N/A
2022 Huajin Management Agreement	N/A	450	N/A
2023 Huajin Management Agreement	N/A	N/A	5,700
	<u>16,000</u>	<u>18,250</u>	<u>25,700</u>

2.3 Proposed new annual caps

The table below sets out the proposed annual cap under the 2024 Huajin Property Management Agreement, together with the existing annual caps for the transactions with Huahong Real Estate under the Huahong Real Estate Lease and the 2023 Dormitory lease in respect of the two years ending 31 December 2025:

(Unit: RMB'000)

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

In arriving at the annual cap for the 2024 Huajin Property Management Agreement, the Directors have considered:

- (i) the actual historical transaction amounts for various management agreements entered into with Huajin Property Management from 2021 to 2023; and
- (ii) the prevailing market rates of management fees of similar and comparable buildings in neighbouring areas.

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2024 Huajin Property Management Agreement are of similar nature, such transactions thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps above will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

2.4 Reasons for and benefits of entering into the 2024 Huajin Property Management Agreement

Given (i) the Dormitory Premises are in an ideal location in close proximity with the Group's principal place of business and (ii) the importance of the Dormitory Premises housing the Group's employees and providing staff quarters to the Group, the Directors considered that it is both essential and beneficial for the Group to enter into the 2024 Huajin Property Management Agreement with Huajin Property Management.

Having reviewed the terms and the pricing basis of the 2024 Huajin Property Management Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the 2024 Huajin Property Management Agreement are fair and reasonable;
- (ii) the entering into of the 2024 Huajin Property Management Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the 2024 Huajin Property Management Agreement is in the interest of the Company and its Shareholders as a whole.

3. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PROPERTIES OF THE GROUP LEASED TO HUALI MICRO

Reference is made to (i) the Prospectus and (ii) the announcement of the Company dated 30 December 2022, in relation to, inter alia, the continuing connected transactions between the Group and Huali Micro under the Huali Micro Lease and the 2023 Huali Micro Clean Room Lease.

HHGrace and Huali Micro has entered into the 2024 Huali Micro Clean Room Lease on 22 December 2023, pursuant to which, as part of the Group's ordinary course of business, HHGrace has agreed to lease certain clean rooms in its factory premises to Huali Micro to accommodate Huali Micro's need to house its specialised equipment for the development of its new process for their 300mm wafer production line.

3.1 The 2024 Huali Micro Clean Room Lease

Date: 22 December 2023

Parties: (i) HHGrace; and
(ii) Huali Micro.

Term: 1 January 2024 to 31 December 2024 (both days inclusive).

Nature of transactions: HHGrace agreed to lease certain clean rooms in its factory premises with total gross floor area of 192 square meters.

Pricing basis: The total monthly fee payable by Huali Micro to HHGrace will be RMB442,418.12 (inclusive of value-added tax), the breakdown of which is as follows:

(Unit: RMB)

	Monthly fee (exclusive of Value- added tax)	value- added tax rate	Monthly fee (inclusive of value- added tax)
Rent	116,800.00	9%	127,312.00
Property administrative fee	950.00	6%	1,007.00
Utility fee	179,730.69	13%	203,095.68
Special gas fee	49,421.26	13%	55,846.03
Management fee	52,035.29	6%	55,157.41
	<u>398,937.25</u>		<u>442,418.12</u>

The rental payable by Huali Micro to HHGrace is determined after arm's length negotiation with reference to the rental for clean rooms similar and comparable to those leased to Huali Micro under the 2024 Huali Micro Clean Room Lease. The property administrative fee, utility fee, special gas fee and management fee are determined after arm's length negotiation with reference to the relevant prevailing PRC market rates and based on the estimated usage of the utility services, the number of specialised equipment housed in the clean rooms and projected volume of chemicals arising from the operation of the specialised equipment by Huali Micro.

3.2 Historical transaction amounts and existing annual caps

The table below sets out the historical transaction amounts received by the Group from Huali Micro under the Huali Micro Lease and the 2023 Huali Micro Clean Room Lease during the periods indicated below and the respective existing annual caps:

(Unit: RMB'000)

Transaction amounts	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the eleven months ended 30 November 2023 (unaudited)
Huali Micro Lease	93,547	95,809	88,937
2023 Huali Micro Clean Room Lease	N/A	N/A	1,285

(Unit: RMB'000)

Annual caps	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Huali Micro Lease	102,000	107,000	99,000
2023 Huali Micro Clean Room Lease	N/A	N/A	4,200

3.3 Proposed annual cap for the 2024 Huali Micro Clean Room Lease

The table below sets out the proposed annual cap under the 2024 Huali Micro Clean Room Lease together with the existing annual caps for the leasing transactions with Huali Micro under the Huali Micro Lease in respect of the two years ending 31 December 2025:

(Unit: RMB'000)

Annual caps	For the year ended 31 December 2024	For the year ended 31 December 2025
Huali Micro Lease (<i>existing</i>)	103,000	107,000
2024 Huali Micro Clean Room Lease (<i>new</i>)	5,316	N/A
	<u>108,316</u>	<u>107,000</u>

The proposed new annual cap under the 2024 Huali Clean Room Lease has been determined with reference to the total monthly fee payable by Huali Micro to HHGrace (exclusive of value-added tax) thereunder.

Since the Group's property leases with Huali Micro under the Huali Micro Lease and the 2024 Huali Clean Room Lease are of similar nature, and the Group acts as the landlord under both leases, such transactions thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

3.4 Reasons for and benefits of entering into the 2024 Huali Micro Clean Room Lease

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

Given (i) the strategic importance of the Group's investment in Huali Micro's wafer production line; (ii) the synergy effect expected to be generated from housing the production line in the Group's fab; and (iii) the substantial investment involved in building the 300mm wafer fabrication project at the relevant property, the Directors considered that it is both essential and beneficial for the Group to enter into the 2024 Huali Micro Clean Room Lease.

Having reviewed the terms of the 2024 Huali Micro Clean Room Lease, the Directors (including the Independent Non-Executive Directors) consider that:

- (i) the terms of the 2024 Huali Micro Clean Room Lease are fair and reasonable;
- (ii) the entering into of the 2024 Huali Micro Clean Room Lease is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the 2024 Huali Micro Clean Room Lease is in the interest of the Company and its Shareholders as a whole.

4. THE 2024 CHEMICAL PLATING SERVICE AGREEMENT

The Board is pleased to announce that on 22 December 2023, HHGrace and Hua Hong Wuxi entered into the 2024 Chemical Plating Service Agreement, pursuant to which as part of the Group's ordinary course of business, Hua Hong Wuxi has agreed to provide chemical plating services to HHGrace.

4.1 Principal terms of the 2024 Chemical Plating Service Agreement

Date: 22 December 2023

Parties: (i) HHGrace; and
(ii) Hua Hong Wuxi.

Term: A term of one year from 1 January 2024 to 31 December 2024 (both dates inclusive).

Nature of transactions: Hua Hong Wuxi has agreed to provide the chemical plating services to HHGrace.

As part of the manufacturing process, wafers produced by HHGrace will undergo the chemical plating process at the fab of Hua Hong Wuxi, during which a layer of metal coating will be deposited onto the wafers. Afterwards, such wafers will undergo further process at the fab of HHGrace.

Payment arrangement: Each transaction under the 2024 Chemical Plating Service Agreement will be confirmed by a purchase order or an invoice between the parties.

4.2 Pricing basis

The service prices payable by the Group under the 2024 Chemical Plating Service Agreement are determined with reference to the market prices of comparable services which are available on an arm's length basis and on terms no less favourable than those provided by at least two independent suppliers for identical or comparable services.

Although it is not part of the terms of the 2024 Chemical Plating Service Agreement, the Group follows its relevant internal standard operating procedure to determine the prices of the services under the 2024 Chemical Plating Service Agreement. The internal standard operating procedure requires the procurement team of the Group to collect the relevant market information (e.g. costs and qualities of identical or comparable services and reputations of relevant suppliers).

To ensure that the transactions under the 2024 Chemical Plating Service Agreement are conducted on terms no less favourable than those provided by independent third parties for identical or comparable services, members of the procurement department shall obtain the quotations for identical or comparable chemical plating services from at least two independent suppliers, including those the Group used to engage before Hua Hong Wuxi starts to provide such services. The chemical plating service fees are charged on a per wafer basis and are not sensitive to order volumes (i.e. the per wafer service fee remains generally similar across different order volumes). Such quotations from independent suppliers are generally valid for one year which is in line with the industry norm and the Group's previous dealings with them. The Board also expects that the price of chemical plating services will not fluctuate significantly during a year. Accordingly, the Board is of the view that such quotations are reflective of the prevailing market prices. Given the above, the Group only currently obtains such quotations on an annual basis. The Board will continue to monitor the trends in market prices for chemical plating services and may revisit the frequency with which relevant quotations are obtained from external independent suppliers in the future if deemed appropriate.

Before placing an order with Hua Hong Wuxi, members of the procurement department shall review and compare the quotations from at least two independent suppliers for identical or comparable services obtained in the manner described above against the quotation from Hua Hong Wuxi. They shall convene meetings with the relevant personnel of the Group to discuss and assess the procurement criteria on an ongoing basis, taking into account, amongst others, (i) the quality of chemical plating services provided by Hua Hong Wuxi and the external independent suppliers and (ii) the specifications required by the relevant customers of the Group, in order to ensure that the purchase price and terms offered by Hua Hong Wuxi are on normal commercial terms or better. According to the internal standard operating procedure, the relevant internal team of the Group will review the prices of the services under the 2024 Chemical Plating Service Agreement on a regular and ongoing basis.

4.3 Historical transaction amount and existing annual cap

The table below sets out the historical transaction amount paid by HHGrace under the 2023 Chemical Plating Service Agreement and its existing annual cap:

	<i>(Unit: USD'000)</i>
	For the eleven months ended 30 November 2023
	(unaudited)
Transaction amount	
2023 Chemical Plating Service Agreement	39

	<i>(Unit: USD'000)</i>
	For the year ended 31 December 2023
Annual cap	
2023 Chemical Plating Service Agreement	2,400

4.4 Proposed annual cap

The table below sets out the proposed annual cap under Chemical Plating Service Agreement for the year ended 31 December 2024:

	<i>(Unit: USD'000)</i>
	For the year ended 31 December 2024
2024 Chemical Plating Service Agreement	2,550

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

- (a) the Group's business plan to continue its expansion of production capacity in 2024;
- (b) the estimated volume of wafers that HHGrace expects to manufacture in 2024 and the proportion of which shall undergo single-sided and double-sided chemical plating process conducted by Hua Hong Wuxi respectively in accordance with the specific requirements of different customers;
- (c) the capacity of the fab of Hua Hong Wuxi in 2024; and
- (d) the relevant chemical plating services which can be provided by other independent suppliers.

4.5 Reasons for and benefits of entering into the 2024 Chemical Plating Service Agreement

HHGrace used to engage external suppliers for chemical plating services. As the production line of Hua Hong Wuxi is now in full operation, it has developed capabilities to deposit a layer of metal coating onto the wafers. The technology and process adopted by such chemical plating services are compatible with the wafers produced by HHGrace. By commissioning Hua Hong Wuxi to provide such service, the Group seeks to reduce its reliance on external suppliers and better control costs. The Board believes that the products manufactured by such process may demonstrate the technology, research and development abilities of the Group, and may assist the Group in marketing its products to more customers by providing an in-house solution. As such, the Board proposes to renew the 2023 Chemical Plating Service Agreement.

Having reviewed the terms of the 2024 Chemical Plating Service Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the 2024 Chemical Plating Service Agreement are fair and reasonable;
- (ii) the entering into of the 2024 Chemical Plating Service Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the 2024 Chemical Plating Service Agreement is in the interest of the Company and its Shareholders as a whole.

5. THE 2024 CORPORATE SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 31 December 2020, in relation to, the continuing connected transactions between HHGrace and Hua Hong Wuxi under the 2021 Corporate Services Agreement.

The Board is pleased to announce that on 22 December 2023, HHGrace and Hua Hong Wuxi entered into the 2024 Corporate Services Agreement, pursuant to which as part of the Group's ordinary course of business, HHGrace has agreed to provide the Corporate Services to Hua Hong Wuxi.

5.1 Principal terms of the 2024 Corporate Services Agreement

Date:	22 December 2023
Parties:	(i) HHGrace; and (ii) Hua Hong Wuxi.
Term:	A term of three years from 1 January 2024 to 31 December 2026 (both dates inclusive).
Nature of transactions:	HHGrace has agreed to provide the Corporate Services to Hua Hong Wuxi.
Payment arrangement:	HHGrace shall provide a breakdown of cost attributable to the Corporate Services for each year based on time spent by the relevant employees. Upon agreeing the final billable amount with HHGrace, Hua Hong Wuxi shall pay HHGrace within 30 days of the receipt of the invoice.

5.2 Pricing basis

The fees payable by Hua Hong Wuxi to HHGrace for the Corporate Services, were determined with reference to the market prices of comparable services which are available on an arm's length basis and on terms no less favorable than those provided by the Group to independent third parties for the relevant services.

5.3 Historical transaction amounts and existing annual caps

The table below sets out the historical transaction amounts received by the Group from Hua Hong Wuxi under the 2021 Corporate Services Agreement during the periods indicated below and the respective existing annual caps:

(Unit: RMB'000)

	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the eleven months ended 30 November 2023 (unaudited)
Transaction amounts			
2021 Corporate Services Agreement	143,800	145,000	81,362

(Unit: RMB'000)

	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023
Annual caps			
2021 Corporate Services Agreement	143,800	145,000	145,000

5.4 Proposed annual caps

The table below sets out the proposed annual caps under the 2024 Corporate Services Agreement for the three years ending 31 December 2024, 2025 and 2026:

(Unit: RMB'000)

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Annual caps	140,000	130,000	130,000

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

- (a) the anticipated hours spent per year and the cost of HHGrace's employees; and
- (b) the assumption that the demand of Hua Hong Wuxi for the Corporate Services shall remain stable for the period ending 31 December 2026.

5.5 Reasons for and benefits of entering into the 2024 Corporate Services Agreement

The Corporate Services encompass a broad range of aspects, including but not limited to engineering construction, technology research and development, administrative, human resources, financial, information technology, quality and testing, planning and procurement, market development services. Therefore, the Company believes that the provision of the Corporate Services can optimise the Group's resources and shall continue to facilitate the smooth operation and the Group's effective management of Hua Hong Wuxi. Accordingly, the Company is of the view that engaging HHGrace to provide Corporate Services to Hua Hong Wuxi, the results of which are consolidated in the Group's financial results, is in the best interests of the Group.

Having reviewed the terms of the 2024 Corporate Services Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the 2024 Corporate Services Agreement are fair and reasonable;
- (ii) the entering into of the 2024 Corporate Services Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the 2024 Corporate Services Agreement is in the interest of the Company and its Shareholders as a whole.

6. THE INTRA-JV SERVICES AGREEMENT AND THE HUA HONG MANUFACTURING COMMISSIONED TRAINING AGREEMENT

The Board is pleased to announce that on 1 July 2023 and 22 December 2023, HHGrace and Hua Hong Wuxi entered into the Hua Hong Manufacturing Commissioned Training Agreement and the Hua Hong Manufacturing Commissioned Training Agreement, pursuant to which as part of the Group's ordinary course of business, HHGrace has agreed to provide Commissioned Training and Intra-JV Services and to Hua Hong Wuxi, respectively.

6.1 Principal terms of the Intra-JV Services Agreement

Date:	22 December 2023
Parties:	(i) Hua Hong Wuxi; and (ii) Hua Hong Manufacturing.
Term:	A term of three years from 1 January 2024 to 31 December 2026 (both dates inclusive).
Nature of transactions:	Hua Hong Wuxi has agreed to provide the Intra-JV Services to Hua Hong Manufacturing.
Payment arrangement:	Hua Hong Wuxi shall provide a breakdown of cost attributable to the Intra-JV Services for each year based on time spent by the relevant employees. After agreeing the final billable amount with Hua Hong Wuxi, Hua Hong Manufacturing shall pay HHGrace within 30 days of the receipt of the invoice.
Pricing basis:	The fees payable by Hua Hong Manufacturing to Hua Hong Wuxi were determined with reference to the market prices of comparable services which are available on an arm's length basis and on terms no less favorable than those provided by the Group to independent third parties for the relevant services.

6.2 Hua Hong Manufacturing Commissioned Training Agreement

Date:	1 July 2023
Parties:	(i) Hua Hong Wuxi; and (ii) Hua Hong Manufacturing.
Term:	A term of one year from 1 July 2023 to 30 June 2024 (both dates inclusive).
Nature of transactions:	Hua Hong Wuxi has agreed to provide Commissioned Training to the new hires of Hua Hong Manufacturing.
Payment arrangement:	Upon expiry of the contractual term, Hua Hong Wuxi shall provide a breakdown of all fees attributable to the Commissioned Training. After agreeing the final billable amount with Hua Hong Wuxi, Hua Hong Manufacturing shall pay HHGrace within 30 days of the receipt of the invoice.
Pricing basis:	The fees payable by Hua Hong Manufacturing to Hua Hong Wuxi were determined with reference to the market prices of comparable services which are available on an arm's length basis and on terms no less favorable than those obtained from independent third parties for the relevant services. On such basis, the parties agree that the monthly fee payable by Hua Hong Manufacturing for each employee joining the Commissioned Training is approximately RMB5,000.

6.3 Proposed annual caps

The table below sets out the proposed annual caps under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement:

(Unit: RMB'000)

	For the year ended 31 December 2024	For the year ended 31 December 2025	For the year ended 31 December 2026
Intra-JV Services Agreement	120,000	180,000	240,000
Hua Hong Manufacturing Commissioned Training Agreement	7,150	N/A	N/A
	<u>127,150</u>	<u>180,000</u>	<u>240,000</u>

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

- (a) the anticipated hours spent by the relevant Hua Hong Wuxi employees on providing the Intra-JV Services or Commissioned Training per year and the relevant costs; and
- (b) the assumption that the demand of Hua Hong Manufacturing for the Intra-JV Services shall increase annually during the three years ending 31 December 2026, taking into account the expected completion date of construction of Hua Hong Manufacturing's production line, pursuant to which the production is scheduled to commence in 2025 with the monthly production capacity targeted to be 40,000 wafers by 2026, as disclosed in the Company's circular dated 24 February 2023.

For the avoidance of doubt, as each of the applicable percentage ratios of the transaction amount in 2023 and the proposed annual cap in 2024 under the Hua Hong Manufacturing Commissioned Training Agreement is lower than 0.1% on an annual basis, it is not subject to an announcement obligation on a standalone basis under Chapter 14A of the Listing Rules. However, since the services provided by Hua Hong Wuxi under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are of similar nature, such transactions thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof for the year of 2024 will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

6.4 Reasons for and benefits of entering into the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement

The Intra-JV Services encompass a broad range of aspects, including but not limited to technology research and development, customer service, administrative, human resources, financial, information technology, quality control, planning, security and technical support services. Therefore, the Company believes that the provision of the Corporate Services can optimise the Group's resources and support the early-stage operation of Hua Hong Manufacturing while its production line is still under construction.

Separately, as the professional staff members of Hua Hong Wuxi have the requisite knowledge and experience in the industry and are important human resources which the Group may leverage on to provide specific and dedicated support to the early-stage operation of Hua Hong Manufacturing.

Accordingly, the Company is of the view that engaging Hua Hong Wuxi to provide Corporate Services and Commissioned Training to Hua Hong Manufacturing, the results of which are consolidated in the Group's financial results, is in the best interests of the Group.

Having reviewed the terms of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement, the Directors (including the Independent Non-Executive Directors) are of the view that:

- (i) the terms of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are fair and reasonable;
- (ii) the entering into of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement is in the interest of the Company and its Shareholders as a whole.

7. LISTING RULES IMPLICATIONS

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

- Huahong Group and the Huahong Group Companies, including Huali Micro, Hongri, Huahong Zealcore, Huahong Real Estate and Huajin Property Management; and
- Hua Hong Wuxi, which is a non-wholly owned connected subsidiary of the Company held as to approximately 20.58% by China IC Fund.

Accordingly, (i) the 2024 Huahong Group Framework Agreement; (ii) the 2024 Huajin Property Management Agreement; (iii) the 2024 Huali Micro Clean Room Lease; (iv) the 2024 Chemical Plating Service Agreement; (v) the 2024 Corporate Services Agreement; (vi) the Intra-JV Services Agreement and (vii) the Hua Hong Manufacturing Commissioned Training Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

7.1 The 2024 Huahong Group Framework Agreement, the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Huahong Group Purchase Transactions Annual Cap, the Huahong Group Sales Transactions Annual Cap and the annual caps under the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huahong Group Framework Agreement, the 2024 Chemical Plating Service Agreement and the 2024 Corporate Services Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

7.2 The 2024 Huajin Property Management Agreement

Since the Group is the tenant under the Huahong Real Estate Lease and the 2023 Dormitory Lease, and its payment obligations for rent and property management services under the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2024 Huajin Property Management Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the Huahong Real Estate Lease, the 2023 Dormitory Lease and the 2024 Huajin Property Management Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huajin Property Management Agreement, the 2023 Dormitory Lease and the Huahong Real Estate Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

7.3 The 2024 Huali Micro Clean Room Lease and the Huali Micro Lease

Since the Group acts as the landlord under the property leases with Huali Micro pursuant to the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the 2024 Huali Micro Clean Room Lease and the Huali Micro Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

7.4 The Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement

Since the services provided by Hua Hong Wuxi to Hua Hong Manufacturing under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are of similar nature, the continuing connected transactions contemplated thereunder will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules, and the proposed annual caps thereof will be aggregated for the purpose of calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps of the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement is above 0.1% but below 5%, the continuing connected transactions contemplated under the Intra-JV Services Agreement and the Hua Hong Manufacturing Commissioned Training Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As of the date of this announcement, none of the Directors has material interest in the above transactions. Except for Mr. Suxin Zhang, Mr. Junjun Tang, Mr. Guodong Sun and Mr. Jun Ye, who were required to abstain from voting pursuant to the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange, no Director was required to abstain from voting at the Board meeting.

8. INFORMATION ABOUT THE PARTIES

8.1 The Company

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

8.2 Huahong Group

Huahong Group is a high-tech industry group which primarily focuses on IC manufacturing, research and development of advanced IC manufacturing process, IC systems integration and application services, sale of electronic components and overseas venture capital investment. For details of other Huahong Group Companies the transactions with which are to be governed by the 2024 Huahong Group Framework Agreement, please refer to the announcements of the Company dated 31 December 2021 and 2 March 2022.

8.3 Huali Micro

Huali Micro is 53.85% owned by Huahong Group. Huali Micro's principal business is developing and operating a 300mm wafer fab.

8.4 Huahong Real Estate

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

8.5 Huajin Property Management

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

8.6 Hua Hong Manufacturing

Hua Hong Manufacturing is a company incorporated in the PRC on 17 June 2022 and a non-wholly owned subsidiary of the Company. Hua Hong Manufacturing's principal business is to engage in the design, research, manufacturing, testing, packaging and sale of integrated circuits fabricated on 12-inch (300mm) wafers.

8.7 Hua Hong Wuxi

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

8.8 HHGrace

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

9. DEFINITIONS

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

“2024 Chemical Plating Service Agreement”	the 2024 Chemical Plating Service Agreement dated 22 December 2023 entered into between the HHGrace and Hua Hong Wuxi to regulate the chemical plating services provided by Hua Hong Wuxi to HHGrace
“2021 Corporate Services Agreement”	the corporate services agreement entered into between HHGrace and Hua Hong Wuxi on 31 December 2020 in respect of the provision of certain corporate services by HHGrace
“2024 Corporate Services Agreement”	the corporate services agreement entered into between HHGrace and Hua Hong Wuxi on 22 December 2023 in respect of the provision of the Corporate Services by HHGrace
“2022 Dormitory Lease”	the lease agreement entered into between HHGrace and Huahong Real Estate dated 7 September 2022 regarding the lease of part of the Dormitory Premises to HHGrace, details of which have been set out in the Company’s announcement on 7 September 2022
“2023 Dormitory Lease”	the lease agreement entered into between HHGrace and Huahong Real Estate dated 30 December 2022 to extend the 2022 Dormitory Lease and rent additional areas for three years ending 31 December 2025, details of which have been set out in the Company’s announcement on 30 December 2022
“2023 Huahong Group Framework Agreement”	the framework agreement dated 30 December 2022 entered into between the Company and Huahong Group to regulate the sales and purchase transactions and provision of services between the Group and Huahong Group Companies for the year ending 31 December 2023, details of which have been set out in the Company’s announcement on 30 December 2022 and 1 December 2023
“2024 Huahong Group Framework Agreement”	the framework agreement dated 22 December 2023 entered into between the Company and Huahong Group to regulate the sales and purchase transactions and provision of services between the Group and Huahong Group Companies for the year ending 31 December 2024

“2021 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 31 December 2020 to extend the 2020 Huajin Management Agreement for two years ending 31 December 2022
“2022 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 7 September 2022, pursuant to which the Group engaged Huajin Property Management to provide property management services in respect of the premises under the 2022 Dormitory Lease from the date thereof to 31 December 2022
“2023 Huajin Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 30 December 2022, pursuant to which the Group will engage Huajin Property Management to provide property management services in respect of the Dormitory Premises for the year ending 31 December 2023
“2024 Huajin Property Management Agreement”	the property management agreement entered into between the Group and Huajin Property Management on 22 December 2023, pursuant to which the Group will engage Huajin Property Management to provide property management services in respect of the Dormitory Premises for the year ending 31 December 2024
“2023 Huali Micro Clean Room Lease”	the lease agreement entered into between HHGrace and Huali Micro on 30 December 2022, pursuant to which HHGrace agreed to lease certain clean rooms to Huali Micro for a term of one year commencing on 1 January 2023, details of which have been set out in the Company’s announcement on 30 December 2022
“2024 Huali Micro Clean Room Lease”	the lease agreement entered into between HHGrace and Huali Micro on 22 December 2023, pursuant to which HHGrace agreed to lease certain clean rooms to Huali Micro for a term of one year commencing on 1 January 2024
“Associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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

“Commissioned Training”	One-on-one training provided by employees of Hua Hong Wuxi to the new employees of Hua Hong Manufacturing, including but not limited to on-the-job training, skills enhancement training, business and operational guidance
“Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability on 21 January 2005, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Corporate Services”	<p>the corporate services to be provided under the 2024 Corporate Services Agreement, including:</p> <ul style="list-style-type: none"> (i) technology research and development; (ii) technical and operation; (iii) market development; (iv) establishment and management of business platform; (v) administrative; (vi) human resources (including but not limited to staff recruitment); (vii) financial (including but not limited to management and salary management); (viii) internal control; (ix) information technology (including but not limited to information technology platform development); (x) quality management and testing service; (xi) operation planning and procurement management; and such additional services the parties shall agree
“Director(s)”	the director(s) of the Company
“Dormitory Premises”	dormitory premises of a total gross floor area 27,390.04 square meters and their associated parking lots situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC

“Factory Premise”	the factory premise situated at Hill 2, 13th Street, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC
“Group”	the Company and its subsidiaries
“HHGrace”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a wholly-owned subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hongri”	Shanghai Hua Hong Hongri Electronics Co., Ltd. (上海華虹虹日電子有限公司), previously known as Shanghai Hongri International Electronics Co., Ltd. until 16 December 2021, a company owned as to 51% by Huahong Group and a connected person of the Company
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronics Co., Ltd. and renamed as Shanghai Huahong (Group) Co., Ltd. in 1998, and a substantial shareholder of the Company. It is ultimately owned as to 58.95%, 15.57%, 15.57% and 9.91% by Shanghai SASAC, 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), respectively, all of which are wholly-owned subsidiaries of Shanghai SASAC
“Huahong Group Companies”	Huahong Group, its subsidiaries and Associates
“Huahong Group Purchase Transactions Annual Cap”	the annual cap in respect of the purchase transactions under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023
“Huahong Group Sales Transactions Annual Cap”	the annual cap in respect of the sales transactions under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023
“Hua Hong Manufacturing”	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
“Hua Hong Manufacturing Commissioned Training Agreement”	the commissioned training agreement entered into between HHGrace and Hua Hong Wuxi on 1 July 2023 in respect of the provision of the Commissioned Training to employees of Hua Hong Manufacturing

“Huahong Real Estate”	Shanghai Huahong Real Estate Co., Ltd. (上海華虹置業有限公司), a company incorporated in the PRC on 28 October 2011, a wholly owned subsidiary of Huahong Technology Development, and a connected person of the Company
“Huahong Real Estate Lease”	the lease agreement entered into between the Group and Huahong Real Estate on 10 January 2013, supplemented by a supplemental agreement entered into on 10 June 2014, pursuant to which the Group leased 17,412.87 square meters of the Dormitory Premises from Huahong Real Estate for a term of 20 years effective from 1 January 2014. Please refer to the Company’s announcement dated 30 December 2022 for further details and its annual caps
“Huahong Technology Development”	Shanghai Huahong Technology Development Co., Limited (上海華虹科技發展有限公司), a company incorporated in the PRC on 10 May 2010, a company 50% held by and consolidated with Huahong Group and 50% held by HHGrace
“Hua Hong Wuxi”	Hua Hong Semiconductor (Wuxi) Co., Ltd. (華虹半導體(無錫)有限公司), a company incorporated in the PRC on 10 October 2017 and a non-wholly owned subsidiary of the Company
“Huahong Zealcore”	Shanghai Huahong Zealcore Electronics Technology Co., Ltd. (上海華虹摯芯電子科技有限公司), a company incorporated in the PRC on 30 December 2000 which is 93.02% owned by Huahong Group, and a connected person of the Company
“Huajin Property Management”	Huajin Property Management Co., Ltd (上海華錦物業管理有限公司), a company incorporated in the PRC on 8 June 2012, a wholly owned subsidiary of Huahong Technology Development, and a connected person of the Company
“Huali Micro”	Shanghai Huali Microelectronic Co. Ltd (上海華力微電子有限公司), a company incorporated in the PRC on 18 January 2010 which is 53.85% owned by Huahong Group and is a connected person of the Company
“Huali Micro Lease”	the Huali Micro Lease Agreement and the Huali Micro Lease Supplemental Agreements
“Huali Micro Lease Agreement”	the lease agreement entered into between the Group and Huali Micro on 25 February 2010, pursuant to which the Group leased the Factory Premise to Huali Micro for a term of 20 years commencing on 1 March 2010

“Huali Micro Lease Supplemental Agreements”	the supplemental agreements between the Group and Huali Micro dated 10 June 2011 and 25 July 2014, pursuant to which the lease to Huali Micro was extended to include the leasing of warehouse space with gross floor area of up to 4,536.1 square meters for a term of 20 years, commencing on 1 July 2014
“IC”	integrated circuit(s)
“ICRD”	Shanghai Integrated Circuit Research and Development Center (上海集成電路研發中心有限公司), which ceased to be a connected person of the Company since 1 January 2023
“Intra-JV Services”	<p>the services to be provided by Hua Hong Wuxi to Hua Hong Manufacturing under the Intra-JV Services Agreement, encompassing:</p> <ul style="list-style-type: none"> (i) technology research and development; (ii) engineering; (iii) customer services; (iv) administration; (v) human resources; (vi) financial; (vii) information technology; (viii) quality control; (ix) product design; (x) operation planning; (xi) security; (xii) power engineering; (xiii) sheet metal fabrication; and such additional services the parties shall agree
“Intra-JV Services Agreement”	the Intra-JV Services Agreement entered into between Hua Hong Wuxi and Hua Hong Manufacturing on 22 December 2023 in relation to the provision of Intra-JV Services by Hua Hong Wuxi

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, but for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan
“Prospectus”	the Company’s prospectus dated 3 October 2014
“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)
“Shareholders”	holder(s) of Shares
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollar, the lawful currency of the United States
“%”	per cent.

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

* *For identification purpose only*

Hong Kong, 22 December 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

Jun Ye

Independent Non-Executive Directors:

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye