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HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 1347)

PROPOSED AMENDMENT OF TERMS OF OPTIONS AND PROPOSED REFRESHMENT OF THE SHARE OPTION SCHEME LIMIT AND NOTICE OF CLOSURE OF REGISTER OF MEMBERS

Reference is made to the Share Option Scheme adopted by the Company on 1 September 2015 and the announcements of the Company dated 27 December 2018, 29 March 2019 and 23 December 2019 in relation to the grant of Options under the Share Option Scheme.

On 4 November 2021, the Board proposed to amend the terms of the 2018 Options and the 2019 Options. The Board also proposed to refresh the Share Option Scheme Limit. Pursuant to Rules 17.03(3) and (18) of the Listing Rules and the terms of the Share Option Scheme, each of these proposals is subject to the approval of the Shareholders.

PROPOSED AMENDMENT OF TERMS OF OPTIONS

On 24 December 2018, the Company granted 34,500,000 Options to subscribe for up to a total of 34,500,000 Shares to certain employees and then Directors of the Company under the Share Option Scheme. On 29 March 2019, the Company granted 500,000 Options to subscribe for up to a total of 500,000 Shares to Mr. Tang Junjun, an executive Director of the Company. On 23 December 2019, the Company granted a further 2,482,000 Options to subscribe for up to a total of 2,482,000 Shares to certain employees of the Group.

As at the date of this announcement, there were 21,077,209 unvested 2018 Options and 2,636,000 unvested 2019 Options.

The vesting of the 2018 Options and the 2019 Options is conditional upon the Company's achieving certain strategic and financial performance targets, which are measured in terms of, among others, the compound annual growth rate of the Company's revenue and the Company's annual EBITDA margin. Such performance targets were determined by the Board and were specified in the notice given to each grantee at the time of grant in accordance with the Share Option Scheme.

The Board proposes to amend the terms of the 2018 Options and the 2019 Options, such that each of the financial performance targets (i.e. the three-year compound annual growth rate of the Company's revenue and the Company's annual EBITDA margin) will be given a 50% weighting and, subject to the satisfaction of the remaining conditions, the fulfilment of either financial performance target will result in a 50% vesting of the Options due to be vested at a given vesting date. In determining its annual EBITDA margin, the Company will treat its research and development expenses as earnings, which is consistent with the policy guidance of the State-owned Assets Supervision and Administration Commission of the State Council in promoting technological innovation.

The Board considers the proposed amendments are in the interest of the Company and the Shareholders as a whole as they provide the Company with greater flexibility in rewarding its employees for their efforts and contributions and are expected to help incentivize and retain talents within the Group, which is in line with the purpose of the Share Option Scheme.

Details of the proposed amendments will be set out in a circular to be dispatched to the Shareholders.

PROPOSED REFRESHMENT OF THE SHARE OPTION SCHEME LIMIT

Pursuant to Rule 17.03(3) of the Listing Rules and the terms of the Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Share Option Scheme.

The Share Option Scheme Limit may be refreshed by the Shareholders in general meeting, provided that:

1. the Share Option Scheme Limit so refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit;
2. Options previously granted under the Share Option Scheme or any other schemes of the Company (including those outstanding, cancelled or lapsed and those exercised) shall not be counted for the purpose of calculating the refreshed Share Option Scheme Limit; and
3. the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue from time to time.

As at 2 November 2021, the Company had granted an aggregate of 67,732,000 Options to subscribe for up to a total of 67,732,000 Shares, of which 36,102,680 Options remained outstanding. The Company did not have any other share option scheme apart from the Share Option Scheme.

In order to provide the Company with greater flexibility in offering incentives and rewards to its employees and to enable the Group to attract and retain talents to support its long-term business objectives, the Board proposes to refresh the Share Option Scheme Limit to 10% of the Shares in issue as at the date of approval by the Shareholders at the EGM.

LISTING RULES IMPLICATIONS

Pursuant to Rules 17.03(3) and (18) of the Listing Rules and the terms of the Share Option Scheme, any change to the terms of the Options granted and any refreshment of the Share Option Scheme Limit must be approved by the Shareholders.

An EGM will be convened on or about 26 November 2021 at which an ordinary resolution will be proposed to consider, and if thought fit, approve (i) the proposed amendments to the terms of the 2018 Options and the 2019 Options and (ii) the proposed refreshment of the Share Option Scheme Limit. Grantees to whom or for whose benefit Shares will be issued under the amended terms of the 2018 Options and the 2019 Options and their associates will be required to abstain from voting at the EGM.

A circular containing, among other things, details of (i) the proposed amendments to the terms of the 2018 Options and the 2019 Options and (ii) the proposed refreshment of the Share Option Scheme Limit, and a notice convening the EGM, is expected to be despatched to the Shareholders on or about 8 November 2021.

NOTICE OF CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 23 November 2021 to Friday, 26 November 2021 (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 the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Monday, 22 November 2021. All persons who are registered holders of the Shares on Friday, 26 November 2021, the record date for the EGM, will be entitled to attend and vote at the EGM.

DEFINITIONS

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

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| “2018 Options” | the Options granted by the Company on 24 December 2018 under the Share Option Scheme, the details of which are set out in the Company's announcement dated 27 December 2018; |
| “2019 Options” | the Options granted by the Company on 29 March 2019 and 23 December 2019 under the Share Option Scheme, the details of which are set out in the Company's announcement dated 29 March 2019 and 23 December 2019, respectively; |

“Board”	the board of Directors;
“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;
“Director(s)”	the director(s) of the Company;
“EGM”	an extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the proposed amendments to the terms of the 2018 Options and the 2019 Options and the proposed refreshment of the Share Option Scheme Limit;
“EBITDA”	earnings before interest, taxes, depreciation, and amortization;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Option(s)”	option(s) to subscribe for Shares pursuant to the terms of the Share Option Scheme;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Share Option Scheme”	the share option scheme adopted by the Company at its extraordinary general meeting held on 1 September 2015, the principal terms of which are summarised in the Company’s circular dated 17 August 2015;
“Share Option Scheme Limit”	the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company;

“Stock Exchange” The Stock Exchange of Hong Kong Limited;
“subsidiaries” has the meaning ascribed to it in the Listing Rules; and
“%” per cent.

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

Shanghai, PRC, 4 November 2021

As at the date of this announcement, the Directors are:

Executive Directors:

Suxin Zhang (*Chairman*)

Junjun Tang (*President*)

Non-Executive Directors:

Guodong Sun

Jing Wang

Jun Ye

Independent Non-Executive Directors:

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye