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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 RMB SHARE ISSUE UNDER SPECIFIC MANDATE PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

PROPOSED RMB SHARE ISSUE UNDER SPECIFIC MANDATE

Reference is made to the announcement dated 21 March 2022 in respect of the Company's proposed RMB Share Issue. The Company is pleased to announce that on 12 May 2022, the Board has approved the proposed RMB Share Issue, the Specific Mandate and related matters (including the proposed amendments to the Articles), conditional upon and subject to, among other things, market conditions, approval by Shareholders at the EGM, as well as obtaining the necessary Regulatory Approvals.

SHAREHOLDERS' APPROVAL

The Company will convene the EGM to propose the resolutions for consideration and approval of, among other things, the proposed RMB Share Issue, the Specific Mandate and related matters (including the proposed amendments to the Articles), by the Shareholders. A circular in respect of the EGM containing, among other things, details of the proposals, together with the notice of EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements under the Hong Kong Listing Rules.

The RMB Share Issue and the Specific Mandate are subject to, among other things, approval by Shareholders at the EGM and the necessary Regulatory Approvals and thus may or may not proceed. Shareholders and potential investors of the Company should be aware that there is no assurance that the RMB Share Issue will materialise or as to when it may materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

Further announcement(s) will be made to disclose any material updates and developments in respect of the RMB Share Issue and the Specific Mandate in accordance with the Hong Kong Listing Rules and other applicable laws and regulations as and when appropriate. This announcement is for information only and is not intended to and does not constitute, or form part of, any invitation or offer to acquire, purchase or subscribe for any securities of the Company.

The Company is pleased to announce that on 12 May 2022, the Board has approved the proposed RMB Share Issue, the Specific Mandate and related matters (including the proposed amendments to the Articles), conditional upon and subject to, among other things, market conditions, approval by Shareholders at the EGM, as well as obtaining the necessary Regulatory Approvals.

1. RMB SHARE ISSUE AND THE SPECIFIC MANDATE

(i) RMB Share Issue and the Specific Mandate

Details of the RMB Share Issue are set out as follows:

- (a) Class of RMB Shares Ordinary shares to be subscribed for in RMB by the target subscribers (as stated below), to be listed on the STAR Market and traded in RMB, forming the same class of ordinary shares as the Hong Kong Shares.

The RMB Shares do not have a par value pursuant to section 135 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

- (b) Number of RMB Shares to be issued The Company proposes to issue not more than 433,730,000 RMB Shares, representing not more than 25% of the enlarged share capital of the Company upon completion of the RMB Share Issue (including RMB Shares to be issued pursuant to the exercise of the Over-allotment Option based on negotiations between the Company and the lead underwriters). The RMB Share Issue only involves issue of new Shares.

The final number of RMB Shares to be issued and matters in relation to the Over-allotment Option will be determined according to market conditions and communications with relevant regulatory authorities.

- (c) Target subscribers Target subscribers of the RMB Share Issue are qualified offline investors and natural persons, legal persons and other institutional investors who maintain accounts with the Shanghai Stock Exchange (except for those prohibited by laws, regulations, and regulatory documents in the PRC from subscribing) or other target subscribers who comply with the relevant eligibility requirements of the CSRC and the Shanghai Stock Exchange.

In the event that any of the aforementioned target subscribers of the RMB Share Issue are connected persons of the Company, the Company will take all reasonable measures to comply with the requirements of relevant regulatory authorities.

- (d) Method of issuance The Company will adopt a combination of offline placement and online subscriptions, or such other methods of issuance as approved by relevant securities regulatory authorities in the PRC.

- (e) Method of pricing The price for the RMB Shares will be determined by the Board and the lead underwriters, with reference to the domestic and overseas capital market conditions at the time of the RMB Share Issue, the actual circumstances of the Company and the interests of the Shareholders as a whole, by (i) ascertaining the price range via promotion to potential investors and preliminary price enquiries and (ii) determining the issue price in accordance with relevant laws, regulations and requirements of the relevant securities regulatory authorities in the PRC.
- (f) Strategic placement Based on needs of business cooperation and the scale of financing, the Company may implement strategic placement and place a part of the RMB Shares to relevant investors who meet the requirements of laws and regulations. In the event that the senior management of the Company establishes a specific asset management plan to participate in the strategic placement of the RMB Share Issue, the number of RMB Shares allotted to them shall not exceed 10% of the number of RMB Shares issued in the RMB Share Issue, and the senior management shall undertake to hold the RMB Shares allotted to them for a period of not less than 12 months, as agreed in the strategic placement agreement(s) to be executed by the parties.
- (g) Joint sponsors and lead underwriters Guotai Junan Securities Co., Ltd. and Haitong Securities Co., Ltd.
- (h) Method of underwriting The method of underwriting for the RMB Share Issue will be in the form of standby underwriting by the lead underwriters.
- (i) Use of proceeds The proceeds raised from the RMB Share Issue after deducting the issuance expenses are proposed to be used for the “Hua Hong Manufacturing (Wuxi) Project”, the “8-Inch Factory Optimisation and Upgrading Project”, the “Specialty Technological Innovation and Research and Development Project” and replenishment of working capital.

If the net proceeds actually raised from the RMB Share Issue exceed the capital requirements of the relevant projects, the surplus amount will be used in the Company’s principal business after performing necessary procedures in accordance with relevant regulations. If the net proceeds actually raised from the RMB Share Issue are less than the capital requirements of the relevant projects, the shortfall shall be covered by the Company with its own funds.

Before the proceeds to be raised from the RMB Share Issue are in place, the Company may make initial investments with its own funds according to the progress of the projects. After the proceeds are in place, the Company will first reimburse the initial investment funds and use the remaining proceeds to pay the outstanding investment amount of the projects.

- (j) Distribution plan of accumulated profits before the RMB Share Issue The undistributed profits accumulated before the RMB Share Issue will be shared by existing and new Shareholders on a pro rata basis and in proportion to shareholding percentages after the RMB Share Issue.
- (k) Place and board of listing of RMB Shares The RMB Shares will be listed on the STAR Market of the Shanghai Stock Exchange.
- (l) Share registers The RMB Shares will be registered on a separate register of members maintained in the PRC (the “**PRC Share Register**”) and managed by the CSDC. The RMB Shares will not be registered on the existing register of members of the Company maintained in Hong Kong (the “**Hong Kong Share Register**”). Tricor Investor Services Limited will continue to serve as the Hong Kong share registrar for the Hong Kong Shares traded on the Hong Kong Stock Exchange.
- Due to current restrictions under laws, rules and regulations in the PRC, no movement of Shares will be allowed between the Hong Kong Share Register and the PRC Share Register.
- (m) RMB Shares cannot be moved outside of the PRC or to the Hong Kong Share Register The RMB Shares are subscribed and traded in RMB and issued to investors in the PRC solely for trading on the Shanghai Stock Exchange. The RMB Shares will not be able to be moved outside of the PRC for trading in Hong Kong or to the Hong Kong Share Register.
- (n) Non-fungibility between the RMB Shares and the Hong Kong Shares The RMB Shares and the Hong Kong Shares will not be fungible.
- (o) Valid period of the resolution The resolution on the RMB Share Issue will be valid for 12 months from the date of approval at the general meeting.

The issue of the RMB Shares pursuant to the RMB Share Issue is conditional upon: (1) the grant of the proposed Specific Mandate by the Shareholders to the Board having been obtained at the EGM; and (2) the necessary Regulatory Approvals for the RMB Share Issue having been obtained.

The Board may or may not proceed with the RMB Share Issue, depending on a number of factors, such as market conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

After the RMB Share Issue, subject to the Articles and exemptions from competent authorities, the Company will need to comply with applicable laws, rules and regulations of the PRC including but not limited to the Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Measures for the Administration of the Registration of IPO Stocks on the Science and Technology Innovation Board (for Trial Implementation) (《科創板首次公開發行股票註冊管理辦法(試行)》), the Shanghai Stock Exchange STAR Market Listing Rules, the Measures on Ongoing Supervision over the Innovative Enterprises after Issuance of Shares or Depositary Receipts (Trial Implementation) (《創新企業境內發行股票或存託憑證上市後持續監管實施辦法(試行)》), the Opinions on the Pilot Programmes of Innovative Enterprises Issuing Stocks or Depositary Receipts in the Mainland of China (《關於開展創新企業境內發行股票或存託憑證試點若干意見》) and other applicable regulations of the PRC. The Company's PRC legal adviser and Hong Kong legal adviser are of the opinion that the RMB Share Issue would not contravene relevant laws, rules and regulations of the PRC (including Hong Kong), respectively.

(ii) Proposed authorisation to the Board and its authorised persons to exercise full powers to deal with all matters relating to the RMB Share Issue

It is proposed that authorisation will be granted to the Board and its authorised persons, including but not limited to the Chairman of the Company, to exercise full powers to deal with all matters relating to the RMB Share Issue, including but not limited to:

- (1) within the scope of the RMB Share Issue to be considered and approved at the EGM, in accordance with the PRC laws and regulations and relevant rules of the securities regulatory authorities and the Shanghai Stock Exchange, to exercise full powers in respect of adjustments and implementation of the RMB Share Issue and to confirm the specific matters in relation to the RMB Share Issue on the basis of negotiations with the sponsors (lead underwriters), including but not limited to the determination of the time of issuance, issue size, target subscribers, methods of issuance, methods of pricing, the offer price (including the offer price range and the final offer price), place of listing, specific plan for the exercise of the Over-allotment Option, details of strategic placements including size, proportions and places, and other matters relevant to the RMB Share Issue; approve the payment of necessary listing expenses; approve the estimate of listing expenses; publish announcements, circulars and disclosure documents relevant to the RMB Share Issue;

- (2) to handle the matters in relation to the application for the RMB Share Issue, including but not limited to handling procedures including application, approval, registration or filing with, or obtaining approvals or consents from the relevant governmental departments, regulatory authorities, stock exchanges and clearing houses; to draft, modify, approve, execute, submit, publish, implement, revise or complete any applications, reports, statements, undertakings, confirmations, agreements, contracts, announcements, circulars or other necessary documents related to the RMB Share Issue (including but not limited to letters of intent, the prospectus, other application documents, sponsorship agreements, underwriting agreements, listing agreements, strategic investment agreements, placing agreements, relevant announcements, notices to Shareholders, connected/affiliated transactions agreements and service agreements with intermediaries), and to take all other actions as necessary, proper or appropriate in respect of the RMB Share Issue and the commencement of investment projects to which proceeds are applied in accordance with the opinions of the relevant government authorities or actual circumstances for the purpose of completing the RMB Share Issue; to make corresponding adjustments to matters relating to the specific plan for the RMB Share Issue (including adjustments of the use of proceeds as appropriate and suspension and termination of the implementation of the issuance plan), save for matters required to be voted again in a general meeting pursuant to the requirements of relevant laws, regulations, regulatory documents and the Articles;
- (3) based on the actual circumstances of the RMB Share Issue, market conditions, adjustments of policies and opinions of regulatory authorities, under the premise of compliance with the relevant regulations and procedures, to make adjustments to the specific terms of the RMB Share Issue and details including investment projects to which proceeds are applied and use of proceeds and the proportion thereof, including specific uses of proceeds to be raised from the exercise of the Over-allotment Option; to ascertain matters including the progress of the investment projects to which proceeds are applied and the adjustments of the proportions; to approve and execute the material contracts during the course of operation of the investment projects to which proceeds are applied;
- (4) to make the relevant undertakings, statements and confirmations in accordance with the PRC laws and regulations and the relevant rules of the securities regulatory authorities and actual needs of the RMB Share Issue;
- (5) to modify the relevant documents including policies, undertakings, reports and plans considered and approved by the Board, in accordance with the PRC laws and regulations and the relevant rules of the securities regulatory authorities and actual needs of the RMB Share Issue;
- (6) to establish and determine the designated account for the deposit of proceeds to be raised before the RMB Share Issue as required and execute relevant documents;

- (7) to adjust and modify the Articles, policies governing the procedures of meetings, and other corporate governance documents, relevant measures and undertakings as well as other application documents (including without limitation adjustments and modifications to expressions, sections, provisions and conditions of effect therein) that are amended or formulated for the purpose of the RMB Share Issue and have been considered and approved at the relevant Board meeting and the EGM, in accordance with the changes in the relevant laws, regulations and policies, the requirements and suggestions from the relevant government authorities and regulatory authorities, and the actual circumstances of the RMB Share Issue;
- (8) to deal with share registration, settlement and other related procedures in accordance with the actual circumstances of the RMB Share Issue and applicable laws and regulations;
- (9) to engage and appoint relevant intermediaries for the RMB Share Issue, determine their service fees and execute the engagement agreements;
- (10) to make corresponding adjustments to the RMB Share Issue and related matters pursuant to any new regulations or policies in relation to RMB-share issuance of red-chip companies promulgated by relevant securities regulatory authorities;
- (11) subsequent to the completion of the RMB Share Issue, to handle specific matters in relation to the RMB Share Issue and the listing on the STAR Market, including but not limited to making information disclosure in accordance with the laws and regulations relevant to listing and the rules of the Shanghai Stock Exchange; and
- (12) to authorise the Board and its authorised persons to deal with other matters that are considered necessary, proper or appropriate to the RMB Share Issue by the Board and its authorised persons but not specified above, provided that such matters are not in contravention of applicable domestic and overseas laws and regulations.

The authorisation will be valid for 12 months from the date of approval at the EGM.

(iii) Proposed plan for distribution of profits accumulated before the RMB Share Issue

It is proposed that the profits of the Company accumulated before the RMB Share Issue will be shared by existing and new Shareholders on a pro rata basis and in proportion to shareholding percentages after the RMB Share Issue.

(iv) Proposed plan for stabilisation of the price of the RMB Shares within three years following the RMB Share Issue

The Company has formulated the plan for stabilisation of the price of the RMB Shares within three years following the RMB Share Issue in accordance with relevant laws, regulations and regulatory documents. The relevant details will be set out in the circular to be despatched to the Shareholders.

(v) Proposed profits distribution policy and dividend return plan within three years following the RMB Share Issue

The Company has formulated the profits distribution policy and dividend return plan within three years following the RMB Share Issue in accordance with the Notice on Further Implementation of Matters Relevant to the Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), the Guidelines No. 3 on the Supervision and Administration of Listed Companies – Cash Dividend Distribution of Listed Companies (《上市公司監管指引第 3 號 – 上市公司現金分紅》), and other relevant laws, regulations and regulatory documents and the Articles. Such profits distribution policy and dividend return plan will, upon approval by the Shareholders at the EGM, take effect upon the listing of the RMB Shares on the STAR Market. The relevant details will be set out in the circular to be despatched to the Shareholders.

(vi) Proposed use of proceeds from the RMB Share Issue

In relation to the use of proceeds from the RMB Share Issue, it is proposed to be approved by the Shareholders for the use of all proceeds from the RMB Share Issue in the following manner after deducting the issuance expenses:

- (1) Approximately 70% (RMB12.5 billion) for the investment in the “Hua Hong Manufacturing (Wuxi) Project”;
- (2) approximately 11% (RMB2 billion) for the “the 8-Inch Factory Optimisation and Upgrading Project”;
- (3) approximately 13% (RMB2.5 billion) for the “Specialty Technological Innovation and Research and Development Project”; and
- (4) approximately 6% (RMB1 billion) for the replenishment of working capital.

Within the scope of the aforementioned projects, the Company may make adjustments to the sequence and specific investment amounts of the projects in accordance with the progress and capital requirements of the projects as appropriate. Upon approval by Shareholders at the EGM, the Company will negotiate the specific terms of the transactions with its partner(s) (if any) and perform the procedures in accordance with the relevant laws and regulations and the Articles.

If the net proceeds actually raised from the RMB Share Issue (after deducting the issuance expenses) exceed the capital requirements of the relevant projects, the surplus amount will be used in the Company’s principal business after performing necessary procedures in accordance with relevant regulations. If the net proceeds actually raised from the RMB Share Issue (after deducting the issuance expenses) are less than the capital requirements of the relevant projects, the shortfall shall be covered by the Company with its own funds.

In the event that the Over-allotment Option is exercised, the proceeds to be raised from the allotment and issuance of the additional RMB Shares pursuant to the exercise of the Over-allotment Option will be used for replenishing the Company's working capital and other purposes permitted by applicable laws and regulations and the requirements of relevant securities regulatory authorities.

Before the proceeds to be raised from the RMB Share Issue are in place, the Company may make initial investments with its own funds according to the progress of the projects. After the proceeds are in place, the Company will first reimburse the initial investment funds and use the remaining proceeds to pay the outstanding investment amount of the projects.

The relevant details will be set out in the circular to be despatched to the Shareholders.

(vii) Proposed remedial measures for the dilution of immediate returns after the RMB Share Issue

For the purpose of the RMB Share Issue, the Company has formulated the remedial measures for the dilution of immediate returns after the RMB Share Issue. The relevant details will be set out in the circular to be despatched to the Shareholders.

(viii) Proposed undertakings and the corresponding binding measures in connection with the RMB Share Issue

To better protect the interests of the holders of the RMB Shares, the Company will provide undertakings with respect to the RMB Share Issue and propose corresponding binding measures in the event of failure to perform the relevant undertakings in accordance with applicable laws, regulations and regulatory requirements, including the requirements of the CSRC and other relevant authorities. The undertakings include, among others, the undertaking in relation to the stabilisation of the price of RMB Shares, the undertaking in relation to repurchase of RMB Shares, the undertaking in relation to repurchase of RMB shares fraudulently issued and listed, the undertaking in relation to remedial measures for the dilution of immediate returns, the undertaking in relation to dividend distribution policy, the undertaking in relation to legal liability for compensation, the undertaking in relation to binding measures when failing to fulfill relevant undertakings, the undertaking in relation to governing laws and competent court, the undertaking in relation to the consistency between the electronic application documents and the originals reserved, and the undertaking in relation to no interference with the review.

(ix) Proposed amendments to the Articles

A special resolution will be proposed at the EGM to approve, subject to and conditional upon the approval of the RMB Share Issue and the Specific Mandate as described in the above paragraph headed "RMB Share Issue and the Specific Mandate", the proposed amendments to the Articles (the "**Proposed Amendments**") and the adoption of the amended and restated Articles incorporating the Proposed Amendments.

Based on the reasons set out below and taking into account the actual circumstances of the Company, it is proposed that amendments, among others, be made to the Articles:

- (1) to cater for the RMB Shares to be issued, provisions relating to the issue, listing, deposit, transfer and other matters relating to the RMB Shares are proposed to be added; and
- (2) to satisfy the relevant requirements under the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange and other applicable regulations of the PRC that the overall level of investor protection offered by the Company should not be lower than what is required under the laws and regulations of the PRC, provisions relating to the respective authorities and duties of the Board and the general meetings of the Company, Shareholders' rights to convene general meetings and other matters are proposed to be added or amended.

After the approval of the Proposed Amendments, the adoption of the amended and restated Articles will take effect upon the listing of the RMB Shares on the STAR Market. Prior to that, the Articles currently in force shall apply. The relevant details will be set out in the circular to be despatched to the Shareholders.

(x) Proposed adoption of policy governing the procedures for the holding of general meetings

To satisfy the relevant requirements of laws, regulations and regulatory requirements in respect of the RMB Share Issue, a policy governing the procedures for the holding of general meetings of the Company is proposed to be adopted by the Shareholders. Such policy will take effect upon the listing of the RMB Shares on the STAR Market. The relevant details will be set out in the circular to be despatched to the Shareholders.

(xi) Proposed adoption of policy governing the procedures for the holding of Board meetings

To satisfy the relevant requirements of laws, regulations and regulatory requirements in respect of the RMB Share Issue, a policy governing the procedures for the holding of Board meetings is proposed to be adopted by the Shareholders. Such rules will take effect upon the listing of the RMB Shares on the STAR Market. The relevant details will be set out in the circular to be despatched to the Shareholders.

(xii) Approval of the Amendments to the Charters and Formulation of Internal Policies

To satisfy the relevant requirements of laws, regulations and regulatory documents in respect of the RMB Share Issue, including the Measures for the Administration of the Registration of IPO Stocks on the Science and Technology Innovation Board (for Trial Implementation) (《科創板首次公開發行股票註冊管理辦法(試行)》) and the Shanghai Stock Exchange STAR Market Listing Rules, the Board resolved to conditionally adopt and approve the amendments to certain provisions and formulation of the following policies:

- (1) terms of reference for the audit committee;
- (2) terms of reference for the remuneration committee;
- (3) terms of reference for the nomination committee;
- (4) policy on management of external guarantee;
- (5) policy on management of external investment;
- (6) policy on management of connected (affiliated) transactions;
- (7) policy on management of proceeds;
- (8) policy on management of investor relations;
- (9) policy on management of disclosure of information; and
- (10) rules for the onshore officer responsible for disclosure of information.

Unless otherwise provided in any of the policies, the above policies will become effective upon the issue and listing of the RMB Shares on the STAR Market. Prior to that, the policies currently in force will continue to apply.

(xiii) Approval of the Appointment of Onshore Officer Responsible for Disclosure of Information

For the purpose of the RMB Share Issue and in accordance with the Shanghai Stock Exchange STAR Market Listing Rules, the Board has approved the appointment of an onshore officer responsible for disclosure of information who shall be responsible for information disclosure and regulatory communications affairs relevant to the RMB Shares. The appointment will become effective on the day when the RMB Shares are listed on the STAR Market.

2. OTHER INFORMATION RELATED TO THE RMB SHARE ISSUE

(i) Impact of the RMB Share Issue on the shareholding structure of the Company

For reference and illustration purposes only, assuming that the issue of all 433,730,000 RMB Shares is approved and carried out, the outstanding share options are not exercised, and all RMB Shares are issued to the public and there are no changes in the share capital of the Company after the date of this announcement and prior to the completion of the RMB Share Issue, and to the best knowledge of the Directors after reasonable enquiry, the shareholding structure of the Company both as at the date of this announcement and immediately after the completion of the RMB Share Issue is set out as follows:

	As at the date of this announcement		Immediately after the completion of the RMB Share Issue (assuming the issue size is 433,730,000 RMB Shares)	
	<i>Number of Shares</i>	<i>Approximate percentage of the Company's issued share capital</i>	<i>Number of Shares</i>	<i>Approximate percentage of the Company's issued share capital</i>
RMB Shares to be issued under the proposed RMB Share Issue	–	–	433,730,000	25.00%
Hong Kong Shares	1,301,745,237	100.00%	1,301,745,237	75.00%
Held by core connected persons	718,068,172	55.16%	718,068,172	41.37%
Held by public	583,677,065	44.84%	583,677,065	33.63%
Total	<u>1,301,745,237</u>	<u>100.00%</u>	<u>1,735,475,237</u>	<u>100.00%</u>

As at the date of this announcement, according to the information publicly available to the Company, the public held no less than approximately 44.84% of the Shares issued by the Company. Assuming that the issue of all the 433,730,000 RMB Shares under the RMB Share Issue is approved and all RMB Shares are issued to persons who are not connected persons of the Company, the percentage of RMB Shares held by the public with respect to the total number of Shares after the RMB Share Issue is expected to be approximately 25.00%, the percentage of Hong Kong Shares held by the public with respect to the total number of Shares after the RMB Share Issue is expected to be approximately 33.63%, and the percentage of Shares (both RMB Shares and Hong Kong Shares in aggregate) held by the public with respect to the total number of Shares after the RMB Share Issue is expected to be approximately 58.63%.

(ii) Fund raising activities in the past twelve months

The Company has not conducted any fund raising activities involving issue of equity securities in the past twelve months immediately preceding the date of this announcement.

(iii) Application for Listing

Conditional upon the grant of the proposed Specific Mandate by the Shareholders to the Board having been obtained at the EGM, an application for the RMB Share Issue will be made to the CSRC. The Company will make another application to the Shanghai Stock Exchange for the listing of, and permission to deal in, the RMB Shares on the STAR Market after the CSRC approves the public offering of the RMB Shares. Pursuant to the waiver from strict compliance with the relevant provisions of the Hong Kong Listing Rules granted by the Hong Kong Stock Exchange, the RMB Shares will not be listed on the Hong Kong Stock Exchange. For further details of the waiver, please refer to the section headed “Grant of waivers from strict compliance with certain provisions of the Hong Kong Listing Rules – (1) One-off waiver relating to non-listing of the RMB Shares on the Hong Kong Stock Exchange” below.

(iv) Reasons for and benefits of the RMB Share Issue

The Board considers that the RMB Share Issue will enable the Company to access the PRC capital market by way of equity financing and thus broaden the Company’s fund-raising channels and shareholder base and improve the Company’s capital structure. Also, the Board considers that the RMB Share Issue will be able to further strengthen the financial position of the Group and serve general corporate purposes and working capital needs of the Group, as well as to further enhance the Company’s corporate profile, visibility and market presence in the PRC market. Further, it is expected that the RMB Share Issue will enable the Company to enhance its production capacity and research and development capability which will then allow the Company to capture future growth opportunities and consolidate its position as a leading pure-play foundry in the PRC.

The Board considers that the RMB Share Issue is in line with the interests of the Company and the Shareholders as a whole, and is beneficial to strengthening the sustainable development of the Company.

(v) Grant of waivers from strict compliance with certain provisions of the Hong Kong Listing Rules

For the purpose of the RMB Share Issue, the Company has applied for, and the Hong Kong Stock Exchange has granted, the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

(1) One-off waiver relating to non-listing of the RMB Shares on the Hong Kong Stock Exchange

As the RMB Shares will be of the same class as the Hong Kong Shares (i.e. both are ordinary Shares carrying the same rights) but will not be listed on the Hong Kong Stock Exchange, the Company has applied for, and the Hong Kong Stock Exchange has granted, a one-off waiver from strict compliance with Rules 8.20 and 13.26(1) of the Hong Kong Listing Rules such that there is no need to seek listing of the RMB Shares to be issued under the RMB Share Issue on the Hong Kong Stock Exchange under Rules 8.20 and 13.26(1) of the Hong Kong Listing Rules, on the following conditions:

- (a) Rule 6.11 of the Hong Kong Listing Rules is modified such that the requirements of obtaining the prior approval of shareholders and holders of any other class of listed securities (where applicable) for voluntary withdrawal of listing on the Hong Kong Stock Exchange shall apply to holders of the Hong Kong Shares only;
- (b) Rule 6.12 of the Hong Kong Listing Rules is modified such that the requirement of obtaining the prior approval of shareholders for voluntary withdrawal of listing on the Hong Kong Stock Exchange by (i) at least 75% of the votes attaching to any class of listed securities held by holders voting either in person or by proxy at the meeting before voluntarily withdrawing its listing on the Hong Kong Stock Exchange; and (ii) the number of votes cast against the resolution is not more than 10% of the votes attaching to any class of listed securities held by holders permitted under Rule 6.12(1) of the Hong Kong Listing Rules to vote in person or by proxy at the meeting, shall apply to holders of the Hong Kong Shares only;
- (c) Rule 6.15 of the Hong Kong Listing Rules is modified such that the requirement of fulfilling shareholders' approval requirements under the Takeovers Code for voluntary withdrawal of listing on the Hong Kong Stock Exchange shall apply to holders of Hong Kong Shares only;

- (d) Rule 13.36(2)(b) of the Hong Kong Listing Rules is modified such that the Shareholders (including both holders of Hong Kong Shares and holders of RMB Shares) can by ordinary resolution in a general meeting give a general mandate to the Directors under which (i) the aggregate number of Hong Kong Shares allotted or agreed to be allotted must not exceed 20% of the number of the issued Hong Kong Shares as at the date of the resolution granting the general mandate; and (ii) the aggregate number of RMB Shares allotted or agreed to be allotted must not exceed 20% of the number of the issued RMB Shares as at the date of the resolution granting the general mandate; and
- (e) Rule 13.36(2)(b) of the Hong Kong Listing Rules is further modified such that the Shareholders (including both holders of Hong Kong Shares and holders of RMB Shares) can by ordinary resolution in general meeting give a repurchase mandate to the Directors under which (i) only the Hong Kong Shares may be repurchased; and (ii) the maximum number of Hong Kong Shares repurchased by the Company since the granting of the general mandate will be 10% of the number of the issued Hong Kong Shares as at the date of the resolution granting the repurchase mandate.

Given this is a one-off waiver for the RMB Share Issue only, the Company would need to apply for waiver from Rules 8.20 and 13.26(1) of the Hong Kong Listing Rules for any further issue of new RMB Shares.

(2) *Waiver relating to corporate communications*

Under the relevant PRC rules and regulations, (i) the publication of corporate communications, including circulars, on the websites of the Shanghai Stock Exchange and the Company and through other prescribed communication channels such as specified PRC newspapers would constitute effective delivery to the holders of the RMB Shares; and (ii) the Company is not required to (a) seek an express and positive written confirmation from each holder of the RMB Shares that corporate communications may be made available using electronic means; and (b) physically send a circular to the holders of the RMB Shares.

Accordingly, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 2.07A of the Hong Kong Listing Rules such that the requirements relating to corporate communications thereunder will apply only to the holders of the Hong Kong Shares.

(3) Waiver relating to requirements for certification of transfers

Pursuant to the relevant regulatory requirements, the RMB Shares shall be listed and traded on the Shanghai Stock Exchange, and be registered and deposited with and settled through the CSDC. Pursuant to the trading rules of the Shanghai Stock Exchange, trading in securities is conducted via a paperless, book entry-based trading system, and there is no requirement under the Shanghai Stock Exchange Listing Rules to issue physical share certificates in respect of the RMB Shares as proof of title. The CSDC adopts an electronic securities registration system, conducts registration onto the register of securities holders pursuant to the record of the securities accounts. The record issued by the CSDC is the legal proof of security holders' holding in shares.

Furthermore, the transfers of RMB Shares on the STAR Market (“**On-Exchange Transfers**”) can be conducted by (i) centralised trading transfers (meaning transfers pursuant to transactions conducted between two parties holding Shanghai Stock Exchange stock accounts through the paperless trading platform of the Shanghai Stock Exchange, which does not involve any certificate, temporary documents or split renounceable documents); and (ii) non-centralised trading transfers (including but not limited to share transfers due to written agreements, inheritance, gift and property division, for which the relevant applicant must submit materials required by the CSDC to complete the transfer, and the CSDC will handle the transfer registration with respect to such non-centralised trading transfers of the RMB Shares.

Accordingly, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rule 13.58 of the Hong Kong Listing Rules such that the requirements relating to certification of transfers to be completed within certain time thereunder will apply only to the Hong Kong Shares and any transfer of RMB Shares other than On-Exchange Transfers.

(4) Waiver relating to requirements for securities registration services

As the CSDC will provide securities registration services to holders of the RMB Shares, and there is no need for certificate registration service given that the RMB Shares can be traded electronically on the Shanghai Stock Exchange and will not require a share certificate to evidence title, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 13.59 and 13.60 of the Hong Kong Listing Rules such that the requirements relating to securities registration services thereunder will apply only to the Hong Kong Shares. To the best knowledge of the Company, the grant of the waiver would not impose undue risk to the Shareholders, given the proposed RMB Share Issue is subject to Shareholders' approval at the EGM.

3. SHAREHOLDERS' APPROVAL

The Company will convene the EGM to propose the resolutions for consideration and approval of, among others, the proposed RMB Share Issue, the Specific Mandate and related matters (including the proposed amendments to the Articles), by the Shareholders. A circular in respect of the EGM containing, among others, details of the proposals, together with the notice of EGM, will be despatched to the Shareholders as soon as practicable in accordance with the requirements under the Hong Kong Listing Rules.

The RMB Share Issue and the Specific Mandate are subject to, among other things, approval by Shareholders at the EGM and the necessary Regulatory Approvals and thus may or may not proceed. Shareholders and potential investors of the Company should be aware that there is no assurance that the RMB Share Issue will materialise or as to when it may materialise. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

Further announcement(s) will be made to disclose any material updates and developments in respect of the RMB Share Issue and the Specific Mandate in accordance with the Hong Kong Listing Rules and other applicable laws and regulations as and when appropriate. This announcement is for information only and is not intended to and does not constitute, or form part of, an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

4. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Articles”	the articles of association of the Company (as amended from time to time)
“Board”	the board of Directors of the Company
“Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability on 21 January 2005, the shares of which are listed on Main Board of the Hong Kong Stock Exchange
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the proposed RMB Share Issue, the Specific Mandate and related matters (including proposed amendments to the Articles), or any adjournment thereof

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Share(s)”	the existing ordinary Share(s) which are listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Over-allotment Option”	the over-allotment option which may be exercised by the Company and the lead underwriter(s) in respect of such number of RMB Shares not exceeding 15% of the number of RMB Shares to be issued initially under the RMB Share Issue
“PRC”	the People’s Republic of China
“Regulatory Approvals”	the approvals or decisions from the relevant regulatory authorities and governmental departments in the PRC (including but not limited to the CSRC, the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the CSDC)
“RMB”	Renminbi, the lawful currency of the PRC
“RMB Share Issue”	the Company’s proposed issue of no more than 433,730,000 RMB Shares, which will be listed on the STAR Market
“RMB Share(s)”	the ordinary Share(s) to be subscribed for in RMB by target subscribers in the PRC, to be listed on the STAR Market and traded in RMB
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shanghai Stock Exchange STAR Market Listing Rules”	the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange 《上海證券交易所科創版股票上市規則》 (as amended from time to time)
“Shareholder(s)”	the holder(s) of the Shares of the Company
“Share(s)”	issued share(s) of the Company
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to allot and issue RMB Shares pursuant to the RMB Share Issue

“STAR Market”	the Science and Technology Innovation Board of the Shanghai Stock Exchange
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong (as amended from time to time)
“%”	per cent

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

Shanghai, PRC, 12 May 2022

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Suxin Zhang (*Chairman*)

Junjun Tang (*President*)

Non-Executive Directors:

Guodong Sun

Jing Wang

Jun Ye

Independent Non-Executive Directors:

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye