

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1347)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SUPPLEMENTAL AGREEMENTS AND PROPOSED NEW ANNUAL CAPS

Reference is made to the Announcement of the Company in relation to, inter alia, the continuing connected transactions (i) between the Group and Huahong Real Estate under the Huahong Real Estate Lease and (ii) between the Group and Huajin Property Management under the 2021 Huajin Management Agreement. Unless otherwise defined, capitalized terms used herein shall have the meanings ascribed to them in the Announcement.

As the Group intends to rent Additional Dormitory Premises from Huahong Real Estate in the ordinary and usual course of business, HHGrace has entered into the Supplemental Agreements with Huahong Real Estate and Huajin Property Management on 7 September 2022, which shall take effect from 7 September 2022 to 31 December 2022.

Accordingly, the Company has also proposed new annual caps for the transactions with Huahong Real Estate and Huajin Property Management for the year ending 31 December 2022.

LISTING RULES IMPLICATIONS

As of the date of this announcement,

- (i) 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; and
- (ii) 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 of the Company.

Accordingly, each of Huahong Real Estate and Huajin Property Management is a connected person of the Company, and the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Group's transactions with Huahong Real Estate and Huajin Property Management, being the leasing and management for the dormitory premises, are of a similar nature, the transactions under the Huahong Real Estate Lease, the 2021 Huajin Management Agreement and the Supplemental Agreements will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the existing annual caps in respect of the transactions under the Huahong Real Estate Lease, the 2021 Huajin Management Agreement and the proposed new annual caps under the Supplemental Agreements are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps under the Huahong Real Estate Lease, the Huajin Management Agreement and the Supplemental Agreements is, on an annual basis, above 0.1% but below 5%, the transactions contemplated thereunder are classified as connected transactions under Rule 14A.76(2) of the Listing Rules and are only subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

SUPPLEMENTAL AGREEMENTS WITH HUAHONG REAL ESTATE AND HUAJIN PROPERTY MANAGEMENT

As the Group intends to rent additional dormitory from Huahong Real Estate in the ordinary and usual course of business, HHGrace has entered into the Supplemental Agreements with Huahong Real Estate and Huajin Property Management on 7 September 2022, which shall take effect from 7 September 2022 to 31 December 2022.

Lease Agreement

Date:	7 September 2022
Parties:	(i) Huahong Real Estate; and (ii) HHGrace
Term:	Effective from 7 September 2022 to 31 December 2022.
Nature of transactions:	The HHGrace will rent Additional Dormitory Premises from Huahong Real Estate for the use of the employees of HHGrace. The total gross floor area of the Additional Dormitory Premises is 7,726.32 square meters.
Pricing basis:	The parties have agreed a rental fee per square meter per day (excl. tax) to be RMB1.81, which is effective from 7 September 2022 to 31 December 2022, adjustment negotiable every three years through supplemental agreements thereafter, which is determined after arm's length negotiation with reference to rental fee rates for similar and comparable dormitory premises.

Management Agreement

Date:	7 September 2022
Parties:	(i) Huajin Property Management; and (ii) HHGrace
Term:	Effective from 7 September 2022 to 31 December 2022.
Nature of transactions:	The Group will engage Huajin Property Management to provide property management services for the Additional Dormitory Premises. The total gross floor area of the Additional Dormitory Premises is 7,726.32 square meters.
Pricing basis:	The parties have agreed to (i) a monthly management fee of approximately RMB60,804.51, which includes a basic monthly fee of approximately RMB7.87 per square meter of the Additional Dormitory Premises, and (ii) IPTV, internet, sewage and electricity fees of approximately RMB39,000 per month, which are determined after arm's length negotiation with reference to management fee rates for similar and comparable buildings to the Additional Dormitory Premises.

Reasons for entering into the Supplemental Agreements

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

Having reviewed the terms of the Supplemental Agreements, the Directors (including the independent non-executive Directors) are of the view that: (i) the terms of the Supplemental Agreements are fair and reasonable; (ii) the entering into of the Supplemental Agreements 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 Supplemental Agreements is in the interest of the Company and its shareholders as a whole.

Historical amounts and the existing annual caps

The table below sets out the historical transaction amounts paid by the Group to Huahong Real Estate and Huajin Property Management under the Huahong Real Estate Lease and 2021 Huajin Management Agreement during the period indicated below and the respective existing annual caps:

(Unit: RMB' 000)

Transaction amounts	For the year ended 31 December 2020 (audited)	For the year ended 31 December 2021 (audited)	For the six months ended 30 June 2022 (unaudited)
The Huahong Real Estate Lease	11,535	11,504	5,705
The 2021 Huajin Management Agreement	1,549	2,179	1,141
Sub-total	<u>13,084</u>	<u>13,683</u>	<u>6,846</u>
Existing annual caps		For the year ending 31 December 2021	For the year ending 31 December 2022
The Huahong Real Estate Lease		12,000	12,000
The 2021 Huajin Management Agreement		4,000	4,000
Sub-total		<u>16,000</u>	<u>16,000</u>

Proposed new annual caps

The Board proposes that the below annual caps be set for the transactions with Huahong Real Estate and Huajin Property Management under the Supplemental Agreements in respect of the year ending 31 December 2022.

(Unit: RMB' 000)

Transaction	For the year ending 31 December 2022
Lease Agreement (<i>new</i>)	1,800
Management Agreement (<i>new</i>)	450
The Huahong Real Estate Lease (<i>unchanged</i>)	12,000
The 2021 Huajin Management Agreement (<i>unchanged</i>)	4,000
Aggregated Annual Caps	<u>18,250</u>

In arriving at the above proposed new annual caps, the Directors considered the rental fee and management fee payable for the year ending 31 December 2022 under the Supplemental Agreements, which have been determined after arm's length negotiation with reference to (i) the actual historical transaction amounts for the two and a half years ended 30 June 2022 under the Huahong Real Estate Lease and the 2021 Huajin Management Agreement and (ii) the rental and management fee rates for such similar and comparable buildings.

LISTING RULES IMPLICATIONS

As of the date of this announcement,

- (i) 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; and
- (ii) 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 of the Company.

Accordingly, each of Huahong Real Estate and Huajin Property Management is a connected person of the Company, and the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Group and the Group's transactions with Huahong Real Estate and Huajin Property Management, being the leasing and management for the dormitory premises, are of a similar nature, the transactions under the Huahong Real Estate Lease, the 2021 Huajin Management Agreement and the Supplemental Agreements will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the existing annual caps in respect of the transactions under the Huahong Real Estate Lease, the 2021 Huajin Management Agreement (as set out in the Announcements) and the proposed new annual caps in respect of the transactions under the Supplemental Agreements are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the aggregated annual caps under the Huahong Real Estate Lease, the 2021 Huajin Management Agreement and the Supplemental Agreements is, on an annual basis, above 0.1% but below 5%, the transactions contemplated thereunder are classified as connected transactions under Rule 14A.76(2) of the Listing Rules and are only subject to the reporting, annual review and announcement requirements but are exempt from 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 or was required to abstain from voting at the Board meeting.

INFORMATION ON THE COMPANY AND THE COUNTERPARTIES

The Company

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

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.

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.

DEFINITIONS

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

“Additional Dormitory Premises”	the additional dormitory premises situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC
“Announcements”	the announcements of the Company dated 24 August 2021 in relation to the Hua Hong Real Estate lease and the 2021 Huajin Management Agreement
“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, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Dormitory Premises”	dormitory premises situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC

“Group”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries (or became such associated companies of the Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“HHGrace”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a company incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong 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 51.59% by Shanghai SASAC. Further details of its ownership are contained in the announcement of the Company dated 5 August 2021
“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 the Dormitory Premises from Huahong Real Estate for a term of 20 years effective from 1 January 2014
“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, and a connected person
“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
“Lease Agreement”	the supplemental lease agreement entered into on 7 September 2022 between HHGrace and Hua Hong Real Estate in respect of the lease of the Additional Dormitory Premises
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Management Agreement”	the supplemental property management agreement entered into on 7 September 2022 between HHGrace and Huajin Property Management in respect of the property management of the Additional Dormitory Premises
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“Supplemental Agreements”	the Lease Agreement and the Management Agreement
“2021 Huajin Management Agreement”	the management agreement entered into between the Group and Huajin Property Management dated 31 December 2020, pursuant to which the Group will engage Huajin Property Management to provide property management service for the two years ending 31 December 2022
“%”	per cent

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

Hong Kong, 7 September 2022

As of 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