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

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

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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)****CONNECTED TRANSACTION IN RELATION TO
THE CHINA IC FUND II SUBSCRIPTION AGREEMENT
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING****Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders****MESSIS 大有融資**

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from Messis, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 23 to 35 of this circular.

A notice convening the EGM of Hua Hong Semiconductor Limited to be held on 14 July 2023 at 10:30 a.m., with a combination of a physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong and a virtual meeting online, is set out on pages 41 to 42 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huahonggrace.com).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated URL (<https://spot-emeeting.tricor.hk>) using the username and password provided on the notification letter sent by the Company on 29 June 2023, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 10:30 a.m. on 12 July 2023. Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

29 June 2023

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DEFINITIONS

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

“associate(s)”	shall have the same meaning as 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;
“China IC Fund II”	China Integrated Circuit Industry Investment Fund (Phase II) Co., Ltd.* (國家集成電路產業投資基金二期股份有限公司), a company established in the PRC on 22 October 2019;
“China IC Fund II Subscription”	the subscription of the RMB Shares by China IC Fund II pursuant to the China IC Fund II Subscription Agreement;
“China IC Fund II Subscription Agreement”	the share subscription agreement dated 28 June 2023 among the Company, China IC Fund II, Guotai Junan and Haitong Securities, details of which are set out in this circular;
“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)”	shall have the same meaning as ascribed to it under the Listing Rules;
“CSDC”	China Securities Depository and Clearing Corporation Limited;
“CSRC”	the China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;

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“EGM”	the extraordinary general meeting of the Company to be held on 14 July 2023 to approve, amongst other things, the entering into of the China IC Fund II Subscription Agreement;
“Group”	the Company and its subsidiaries;
“Guotai Junan”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 1999, the H shares of which are listed on the Stock Exchange (stock code: 2611) and the A shares of which are listed on the SSE (stock code: 601211);
“Haitong Securities”	Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 6837) and the A shares of which are listed on the SSE (stock code: 600837);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Share(s)”	the existing ordinary Share(s) which are listed on the Stock Exchange;
“Independent Board Committee”	an independent committee of the Board that consists of all independent non-executive Directors who have no direct or indirect interest in the China IC Fund II Subscription and the transaction contemplated thereunder;
“Independent Financial Adviser” or “Messis”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the China IC Fund II Subscription;
“Independent Shareholders”	Shareholders who are entitled to vote in the EGM in respect of the China IC Fund II Subscription Agreement pursuant to the Listing Rules and all applicable laws;

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“Independent Third Party(ies)”	person(s) who is not a connected person of the Company pursuant to Chapter 14A of the Listing Rules;
“Joint Sponsors”	Guotai Junan and Haitong Securities, being the joint sponsors and lead underwriters to the Company in connection with the proposed RMB Share Issue;
“Latest Practicable Date”	26 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
“PRC”	the People’s Republic of China, but for the purpose of this circular only, excludes Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan;
“Regulatory Approvals”	the approvals and/or decisions from the relevant regulatory authorities and governmental departments in the PRC and Hong Kong (including but not limited to the CSRC, the Stock Exchange, the SSE and the CSDC);
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“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, further information of which are set out in the announcements of the Company dated 21 March 2022, 12 May 2022, 27 June 2022, 4 November 2022, 30 January 2023, 13 April 2023, 10 May 2023, 17 May 2023 and 28 May 2023 and 7 June 2023, and the circulars of the Company dated 7 June 2022 and 5 June 2023;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of the Company;

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“Shareholder(s)”	holder(s) of Shares;
“Sino IC Capital”	Sino IC Capital Co., Ltd.* (華芯投資管理有限責任公司), the fund manager of China IC Fund II. Its ultimate beneficial owner is China Development Bank Capital Co., Ltd. (國開金融有限責任公司), which is an Independent Third Party of the Company;
“Specific Mandate”	the specific mandate sought from the Shareholders at the extraordinary general meeting of the Company held on 27 June 2022 to allot and issue RMB Shares pursuant to the RMB Share Issue, the validity of which has been extended by the Shareholders at the extraordinary general meeting of the Company held on 26 June 2023;
“SSE”	the Shanghai Stock Exchange;
“STAR Market”	the Science and Technology Innovation Board of the SSE;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wuxi JV2”	Hua Hong Semiconductor Manufacturing (Wuxi) Co., Ltd.* (華虹半導體製造(無錫)有限公司), a company incorporated in the PRC on 17 June 2022 and a non-wholly owned subsidiary of the Company;
“%”	per cent.

* *For identification purpose only*

LETTER FROM THE BOARD



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1347)

Executive Directors:

Suxin Zhang (*Chairman*)
Junjun Tang (*President*)

Non-executive Directors:

Guodong Sun
Jing Wang
Jun Ye

Independent Non-executive Directors:

Stephen Tso Tung Chang
Kai Huen Wong, JP
Long Fei Ye

Registered Office:

Room 2212
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

Principal Place of Business in PRC:

288 Halei Road
Zhangjian Hi-Tech Park
Shanghai, PRC
Postcode: 201203

No. 30, Xinzhou Road
Xinwu District
Wuxi, Jiangsu, PRC
Postcode: 214000

29 June 2023

To the Shareholders

Dear Sir/Madam,

**CONNECTED TRANSACTION IN RELATION TO
THE CHINA IC FUND II SUBSCRIPTION AGREEMENT**

I. INTRODUCTION

References are made to:

- (a) the announcements of the Company dated 21 March 2022, 12 May 2022, 27 June 2022, 4 November 2022, 30 January 2023, 13 April 2023, 10 May 2023, 17 May 2023 and 28 May 2023 and 7 June 2023, and the circulars of the Company dated 7 June 2022 and 5 June 2023 in relation to, among other things, the Company's proposed RMB Share Issue under the Specific Mandate; and
- (b) the announcement of the Company dated 28 June 2023, in which the Company announced that on 28 June 2023, it has entered into the China IC Fund II Subscription Agreement, pursuant to which China IC Fund II will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB3,000,000,000, subject to allotment.

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As China IC Fund II is a substantial shareholder of Wuxi JV2, a non-wholly owned subsidiary of the Company, China IC Fund II is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under the China IC Fund II Subscription Agreement constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with (a) details of the China IC Fund II Subscription Agreement and the transaction contemplated thereunder; (b) the letter from the Independent Board Committee to the Independent Shareholders; (c) the letter from Messis, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders; (d) other information required to be disclosed under the Listing Rules; and (e) the notice of the EGM.

II. THE CHINA IC FUND II SUBSCRIPTION AGREEMENT

On 28 June 2023, the Company, China IC Fund II, Guotai Junan and Haitong Securities entered into the China IC Fund II Subscription Agreement, pursuant to which China IC Fund II will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB3,000,000,000, subject to allotment.

The major terms and further details of the China IC Fund II Subscription Agreement are as follows:

- | | |
|-------------------------|---|
| (1) Date: | 28 June 2023 |
| (2) Parties: | <ol style="list-style-type: none">1. the Company, as the issuer;2. China IC Fund II, as the subscriber; and3. Guotai Junan and Haitong Securities, as the joint sponsors and lead underwriters. |
| (3) Subscription price: | The price of each RMB Share to be subscribed for by China IC Fund II shall be the same as the offer price of the RMB Shares under the RMB Share Issue. |

As set out in the circulars of the Company dated 7 June 2022 and 5 June 2023, 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.

LETTER FROM THE BOARD

Pricing procedures shall be based on strict market and regulatory procedures and requirements, including but not limited to the following:

1. Before publication of the preliminary pricing enquiry announcement, relevant documents including the announcement itself, the issuance plan, investment valuation report and strategic placement plan shall be submitted to the SSE;
2. The difference between the maximum and minimum initial subscription prices of the offline investors shall not exceed 20% of the minimum price;
3. The difference between the upper end and the lower end of the issue price range shall be determined by the Company and the lead underwriters after excluding a portion of the highest quotations and shall not exceed 20% of the lower end of the issue price range;
4. If the issue price after the initial enquiry is not within the valuation range of the investment valuation report, the Company and the lead underwriters shall explain the reasons to the SSE and notify the Securities Association of China; and
5. The Company and the lead underwriters shall determine the issue price with prudence by methods of accumulative bidding enquiry or classified placement.

The final offer price of the RMB Shares under the RMB Share Issue, and thus the subscription price of the RMB Shares to be subscribed for by China IC Fund II, is expected to be fixed on the third business day following the commencement of the RMB Share Issue. The Company will make a further announcement when the final offer price is determined.

(4) Maximum subscription amount: RMB3,000,000,000

The maximum subscription amount for the China IC Fund II Subscription represents the maximum commitment of China IC Fund II to the strategic placing portion of the RMB Share Issue.

LETTER FROM THE BOARD

- (5) Allotted subscription amount and number of RMB Shares to be subscribed for: The allotted subscription amount for the China IC Fund II Subscription, representing the final subscription amount allocated to China IC Fund II in connection with the strategic placing portion of the RMB Share Issue, will be such amount as stated on the notice of payment to be issued by the Joint Sponsors to China IC Fund II. Such notice will be sent to all investors under the strategic placing portion of the RMB Share Issue at the same time, and is currently expected to be issued on the day of commencement of the RMB Share Issue.

The allotted subscription amount will be determined based on book-building for the strategic placing portion of the RMB Share Issue, taking into account, among others, (i) the final offer price of the RMB Shares under the RMB Share Issue, (ii) the scale of the RMB Share Issue and the number of shares allotted to the strategic placing portion, and (iii) the commitment of the prospective strategic investors.

The allotted subscription amount for the China IC Fund II Subscription will not exceed the maximum subscription amount of RMB3,000,000,000.

The number of RMB Shares to be subscribed for by China IC Fund II pursuant to the China IC Fund II Subscription will be such number of RMB Shares that may be subscribed for at the final offer price to be determined with an aggregate subscription amount equal to the allotted subscription amount.

LETTER FROM THE BOARD

For reference and illustration purposes only, based on the maximum subscription amount of RMB3,000,000,000, and assuming (i) all 433,730,000 RMB Shares will be issued under the RMB Share Issue pursuant to the Specific Mandate and (ii) an offer size of RMB18 billion (being the lower end of the estimated offer size as at the Latest Practicable Date), the number of RMB Shares to be subscribed for by China IC Fund II would be 72,288,333 RMB Shares, representing approximately 16.67% of the total number of RMB Shares which may be issued under the RMB Share Issue, and approximately 4.15% of the enlarged share capital of the Company upon completion of the RMB Share Issue (including RMB Shares which may be issued pursuant to the exercise of an over-allotment option based on negotiations between the Company and the lead underwriters, and assuming that there are no changes in the share capital of the Company after the Latest Practicable Date and prior to the completion of the RMB Share Issue). On this basis, China IC Fund II would not become a substantial shareholder (as defined under the Listing Rules) of the Company upon completion of the RMB Share Issue.

- (6) Method of payment of subscription price: The maximum subscription amount shall be paid in cash by China IC Fund II upon receipt of a notice of payment to be issued by the Joint Sponsors to China IC Fund II.

To the extent that the allotted subscription amount is less than the maximum subscription amount, the difference will be refunded to China IC Fund II after the number of RMB Shares allotted to China IC Fund II has been confirmed.

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(7) Conditions precedent: The obligation of China IC Fund II to subscribe for the RMB Shares is subject to the satisfaction of the following conditions:

1. the Company having obtained the necessary approvals from the Board and/or the Shareholders for any related or connected transactions involved in the strategic placing portion of the RMB Share Issue; and
2. the Company having received approval from the CSRC for the registration of the proposed RMB Share Issue.

As disclosed in the Company's announcement dated 7 June 2023, the application for the registration of the proposed RMB Share Issue was approved by the CSRC on 6 June 2023. In addition, the Company has obtained the necessary Board approval for the China IC Fund II Subscription. There are no other transactions in the strategic placing portion of the RMB Share Issue which would require further approval from the Board and/or the Shareholders. Therefore, as at the date of this circular, save for the Shareholders' approval which is being sought at the EGM in respect of the China IC Fund II Subscription, all of the above conditions have been satisfied.

(8) Lock-up period: RMB Shares subscribed for by China IC Fund II and such other Shares obtained by China IC Fund II as a result of bonus shares or capitalization of the Company in connection with the RMB Shares will be subject to a 12 months' lock-up period commencing from the completion of the RMB Share Issue and the listing of the RMB Shares on the SSE.

III. REASONS FOR THE CHINA IC FUND II SUBSCRIPTION AND USE OF PROCEEDS

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

LETTER FROM THE BOARD

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.

Taking into account the existing strategic partnership between the Company and China IC Fund II in the Company's subsidiary, Wuxi JV2, the Board considers that the China IC Fund II Subscription could strengthen the Company's close strategic partnership with China IC Fund II and ensure China IC Fund II's continuous support of the Group's business development through capital investment and provision of other resources.

The RMB Shares to be issued to China IC Fund II will be registered on a separate register of members maintained in the PRC (the "**PRC Share Register**") and managed by CSDC, the share registrar of the RMB Shares for the Company. They will not be registered on the existing register of members of the Company maintained in Hong Kong (the "**Hong Kong Share Register**"). Due to the 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.

The Directors (including the independent non-executive Directors) of the Company are of the view that the entering into of the China IC Fund II Subscription Agreement is (although not in the usual and ordinary course of business of the Company due to the nature of such transaction) fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

As set out in the circulars of the Company dated 7 June 2022 and 5 June 2023, the proceeds from the RMB Share Issue, including proceeds from the China IC Fund II Subscription, are intended to be used for the "Hua Hong Manufacturing (Wuxi) Project" (i.e. Wuxi JV2), 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.

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IV. FURTHER INFORMATION ABOUT THE RMB SHARE ISSUE

As set out in the circulars of the Company dated 7 June 2022 and 5 June 2023, the Company proposes to issue not more than 433,730,000 RMB Shares, representing approximately 33.16% of the share capital of the Company as at the Latest Practicable Date and approximately 24.90% of the enlarged share capital of the Company upon completion of the RMB Share Issue (including RMB Shares which may be issued pursuant to the exercise of an over-allotment option based on negotiations between the Company and the lead underwriters).

As disclosed in the Company's announcement dated 7 June 2023, the Company received approval from the CSRC for the registration of the proposed RMB Share Issue on 6 June 2023. The Company is in the process of preparing the issuance plan for the RMB Share Issue, which will include (among other things) details of the strategic investors participating in the RMB Share Issue, and expects to submit the same to the SSE in the early half of July 2023. The commencement of RMB Share Issue is subject to the approval of the issuance plan by the SSE and the publication of the final prospectus for the RMB Share Issue.

The Independent Shareholders' approval of the China IC Fund II Subscription at the EGM (as explained in the section headed "Letter from the Board – VI. Implications under the Listing Rules" in this circular) is a condition precedent under the China IC Fund II Subscription Agreement, which in turn is a condition to the eligibility of China IC Fund II to become a strategic investor under the RMB Share Issue pursuant to the listing rules of the STAR Market and the relevant requirements of the SSE. Accordingly, the issuance plan can only be finalised and submitted to the SSE for approval after the Company has obtained the Independent Shareholders' approval of the China IC Fund II Subscription at the EGM.

The final offer price of the RMB Shares under the RMB Share Issue is expected to be fixed on the third business day following the commencement of the RMB Share Issue. Subject to the actual time of approval of the issuance plan by the SSE, the RMB Share Issue is currently expected to be completed no later than August 2023. The Company will make further announcements (i) when the final offer price and the final number of RMB Shares to be issued under the RMB Share Issue are determined and (ii) upon completion of the RMB Share Issue.

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For reference and illustration purposes only, assuming that (i) all 433,730,000 RMB Shares will be issued under the RMB Share Issue pursuant to the Specific Mandate, (ii) the outstanding share options are not exercised, and (iii) all RMB Shares are issued to the public and there are no changes in the share capital of the Company after the Latest Practicable Date 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 Latest Practicable Date and immediately after the completion of the RMB Share Issue is as follows:

	As at the Latest Practicable Date		Immediately after the completion of the RMB Share Issue (assuming the issue size is 433,730,000 RMB Shares)	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
RMB Shares to be issued under the proposed RMB Share Issue	–	–	433,730,000	24.90%
To be subscribed for by China IC Fund II pursuant to the China IC Fund II Subscription Agreement ⁽¹⁾	–	–	72,288,333	4.15%
Hong Kong Shares	1,308,147,031	100.0%	1,308,147,031	75.10%
Held by core connected persons	715,272,722	54.68%	715,272,722	41.06%
– Shanghai Hua Hong International, Inc. (“ Hua Hong International ”) ⁽²⁾	347,605,650	26.57%	347,605,650	19.96%
– Shanghai Alliance Investment Limited* (上海聯和投資有限公司, “ SAIL ”) ⁽³⁾	188,961,147	14.44%	188,961,147	10.85%
– Xinxin (Hong Kong) Capital Co., Limited (“ Xinxin ”) ⁽²⁾	178,705,925	13.66%	178,705,925	10.26%
Held by public	592,874,309	45.32%	592,874,309	34.04%
Total	<u>1,308,147,031</u>	<u>100.00%</u>	<u>1,741,877,031</u>	<u>100.00%</u>

Notes:

- (1) Based on the maximum subscription amount of RMB3,000,000,000 and assuming an offer size of RMB18 billion (being the lower end of the estimated offer size as at the Latest Practicable Date).
- (2) Hua Hong International and Xinxin are direct shareholders of the Company.

LETTER FROM THE BOARD

- (3) SAIL is an indirect shareholder of the Company, which holds interests in the Company through two wholly-owned subsidiaries, including Sino-Alliance International, Ltd. (“**Sino-Alliance International**”).
- (4) The figures above have been subject to rounding adjustments.

V. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the RMB Share Issue (of which the China IC Fund II Subscription forms part), the Company has not conducted any other fund-raising activities involving issue of equity securities in the past twelve months prior to the Latest Practicable Date.

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this circular, China IC Fund II holds 29% of the equity interests in Wuxi JV2, which is a non-wholly owned subsidiary of the Company. Therefore, China IC Fund II is a substantial shareholder of Wuxi JV2 and is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under the China IC Fund II Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under the Listing Rules.

To the best knowledge of the Directors, (i) none of the Directors has a material interest in the China IC Fund II Subscription Agreement or was required to abstain from voting on the relevant resolutions at the Board meeting approving the entering into of the China IC Fund II Subscription Agreement; and (ii) as at the Latest Practicable Date, no Shareholders or any of their respective associates had any material interest in the China IC Fund II Subscription Agreement and none of the Shareholders would be required to abstain from voting in favour of the resolution to approve the entering into of the China IC Fund II Subscription Agreement.

The completion of the China IC Fund II Subscription is subject to the fulfilment of certain conditions precedent set out in the China IC Fund II Subscription Agreement, including the Independent Shareholders’ approval at the EGM and the necessary Regulatory Approvals, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In accordance with the Listing Rules, the Company has established an Independent Board Committee comprising Mr. Stephen Tso Tung Chang, Mr. Kwai Huen Wong, JP and Mr. Long Fei Ye, being all of the independent non-executive Directors, to advise and provide recommendation to the Independent Shareholders on the China IC Fund II Subscription Agreement and the transaction contemplated thereunder and to advise the Independent Shareholders on how to vote. The view of the Independent Board Committee has been set out in the section headed “Letter from the Independent Board Committee” in this circular.

Messis has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the China IC Fund II Subscription Agreement and the transaction contemplated thereunder. The view of the Independent Financial Adviser has been set out in the section headed “Letter from the Independent Financial Adviser” in this circular.

VIII. THE EGM AND VOTING METHOD

A notice of the EGM, which contains the resolution to approve the entering into of the China IC Fund II Subscription Agreement and the transaction contemplated thereunder, is set out on pages 41 to 42 of this circular.

The Company will conduct a hybrid extraordinary general meeting with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the EGM either (a) through the physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone.

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

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.huahonggrace.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company’s share registrar, Tricor Investor Services Limited, at 17/F, Far East

LETTER FROM THE BOARD

Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 10:30 a.m. on 12 July 2023. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 13 July 2023 to Friday, 14 July 2023 (both days inclusive), during which period no transfer of Shares in the Company will be registered. In order to qualify for attending and voting at the EGM, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on Wednesday, 12 July 2023. All persons who are registered holders of the Shares on Friday, 14 July 2023, the record date for the EGM, will be entitled to attend and vote at the EGM.

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

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

IX. INFORMATION ABOUT THE PARTIES

The Company

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

LETTER FROM THE BOARD

China IC Fund II

China IC Fund II mainly invests via equity investment in the value chain of integrated circuit industry, primarily in integrated circuit chip manufacturing as well as chip designing, packaging test and equipment and materials. As at the Latest Practicable Date and based on the information provided by China IC Fund II, there were 27 fund investors in China IC Fund II, as set out below:

Fund investor	Percentage of equity interest
Ministry of Finance [#]	11.02%
China Development Bank Capital Co., Ltd. (國開金融有限責任公司) [#]	10.78%
Chongqing Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (重慶戰略性新興產業股權投資 基金合夥企業(有限合夥))	7.35%
Chengdu Tianfu Guoji Investment Co., Ltd. (成都天府國集投資有限公司)	7.35%
Wuhan Optics Valley Financial Holding Group Co., Ltd. (武漢光谷金融控股集團有限公司)	7.35%
Zhejiang Fuzhe Integrated Circuit Industry Development Co., Ltd. (浙江富浙集成電路產業發展有限公司)	7.35%
China National Tobacco Corporation (中國煙草總公司) [#]	7.35%
Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) [#]	7.35%
Beijing E-Town International Investment & Development Co., Ltd. (北京亦莊國際投資發展有限公司) [#]	4.90%
Jiangsu Wanquan Integrated Circuit Industry Investment Co., Ltd. (江蘇蕪泉集成電路產業投資有限公司)	4.90%
Beijing Guoyi Hospital Co., Ltd. (北京國誼醫院有限公司)	4.90%
China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司)	4.90%
Anhui Xinhua IC Industry Investment Partnership (Limited Partnership) (安徽省芯火集成電路產業投資合夥企業(有限合夥))	3.67%
Anhui Wantou Anhua Modern Industrial Investment Partnership (Limited Partnership) (安徽皖投安華現代產業投資合夥企業(有限 合夥))	3.67%
Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司)	1.47%
Fujian State Owned Integrated Circuit Investment Co., Ltd. (福建省國資集成電路投資有限公司)	1.47%
Shenzhen Shenchao Technology Investment Co., Ltd. (深圳市深超科 技投資有限公司)	1.47%
Huangpu Investment Holding (Guangzhou) Co., Ltd. (黃埔投資控股 (廣州)有限公司)	0.98%

LETTER FROM THE BOARD

Fund investor	Percentage of equity interest
China Telecommunications Corporation (中國電信集團有限公司)#	0.73%
Unicom Capital Investment Holding Co., Ltd. (聯通資本投資控股有限公司)	0.49%
China Electronics Corporation (中國電子信息產業集團有限公司)#	0.24%
Sino IC Capital#	0.07%
Shanghai Siqi Enterprise Management Partnership (Limited Partnership) (上海矽啟企業管理合夥企業(有限合夥))	0.05%
Beijing Jianguang Asset Management Co., Ltd. (北京建廣資產管理有限公司)	0.05%
Fujian San'an Group Co., Ltd. (福建三安集團有限公司)#	0.05%
Beijing Unis Communications Technology Group Ltd. (北京紫光通信科技集團有限公司)#	0.05%
GCL Capital Management Co., Ltd. (協鑫資本管理有限公司)	0.05%
Total:	100.00%

Note: # denotes an overlapping shareholder of China IC Fund and China IC Fund II.

China IC Fund II is not regarded as a subsidiary of its single largest shareholder, the Ministry of Finance. There is no ultimate beneficial owner who controls, directly or indirectly, one-third or more of the equity interest in China IC Fund II. China IC Fund II is managed by Sino IC Capital. The voting right of Sino IC Capital (as a shareholder but not as the fund manager) at shareholders' meetings of China IC Fund II is proportional to its shareholding interest in China IC Fund II.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, the Directors are of the view, and each of China IC Fund and China IC Fund II confirms that, Sino IC Capital does not control China IC Fund nor China IC Fund II because: (i) there is no ultimate beneficial owner directly or indirectly controlling China IC Fund II; (ii) China IC Fund and China IC Fund II are not regarded as subsidiaries of their single largest shareholder; (iii) none of the overlapping shareholders of China IC Fund and China IC Fund II can exert majority control over both China IC Fund and China IC Fund II; and (iv) Sino IC Capital manages the investments of China IC Fund and China IC Fund II in accordance with the respective mandates it entered into with China IC Fund and China IC Fund II separately. In particular, based on the information from Sino IC Capital, China IC Fund and China IC Fund II have established independent investment policies and management processes, appointed independent committee members in their respective investment committees to ensure independence in investment decisions, and each has its separate accounts with independent financial accounting treatments. On the above basis, the Company confirms that as at the Latest Practicable Date, (i) China IC Fund II was not an associate of China IC Fund and thus not a connected person of the Company at the issuer level under Chapter 14A of the Listing Rules, and (ii) China IC Fund II was a connected person of the Company at the subsidiary level for the reason set out in the section headed "Letter from the Board – VI. Implications under the Listing Rules" in this circular.

LETTER FROM THE BOARD

Based on the information provided by China IC Fund II and to the best knowledge of the Company, China IC Fund II is an experienced investor in the integrated circuit industry and it has invested in several listed and non-listed companies in the integrated circuit manufacturing field as a substantial shareholder or in certain cases as a controlling shareholder in such entities, which may include entities that engage in businesses which are in competition with the Group. Save for such investments, based on the confirmation from China IC Fund II and to the best knowledge of the Company, China IC Fund II itself does not engage in any other businesses which are in competition with Group.

Guotai Junan

Guotai Junan is a joint stock company with limited liability incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 2611) and the A shares of which are listed on the SSE (stock code: 601211). The principal businesses of Guotai Junan are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

Haitong Securities

Haitong Securities is a joint stock company established in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 6837) and the A shares of which are listed on the SSE (stock code: 600837). Haitong Securities is a full-service securities firm with an integrated business platform, extensive branch network and substantial customer base. Haitong Securities provides a comprehensive range of financial products and services, and primarily focuses on six principal business lines in the PRC, comprising securities and futures brokerage (including margin financing and securities lending), investment banking, asset management, proprietary trading, direct investment and financial leasing. Haitong Securities also provides a variety of securities products and services overseas.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Guotai Junan, Haitong Securities and their respective ultimate beneficial owner(s) (if any) are Independent Third Parties of the Company.

LETTER FROM THE BOARD

X. RECOMMENDATIONS

Having reviewed the terms of the China IC Fund II Subscription Agreement, the Directors (including the independent non-executive Directors) are of the view that:

- (a) the terms of the China IC Fund II Subscription Agreement are fair and reasonable and (although not in the usual and ordinary course of business of the Company due to the nature of such transaction) on normal commercial terms or better; and
- (b) the entering into of the China IC Fund II Subscription Agreement and the transaction contemplated thereunder are in the interest of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the China IC Fund II Subscription Agreement and the transaction contemplated thereunder.

XI. MISCELLANEOUS

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 35 of this circular; and
- (c) the additional information set out in Appendix I to this circular.

As the RMB Share Issue (of which the China IC Fund II Subscription forms part) are subject to the necessary Regulatory Approvals and may or may not proceed, Shareholders and investors should exercise caution when dealing in the Shares 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 China IC Fund II Subscription in accordance with the Listing Rules and other applicable laws and regulations as and when appropriate. This circular 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.

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders for incorporation in this circular.



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1347)

To the Independent Shareholders

Dear Sir or Madam,

29 June 2023

CONNECTED TRANSACTION IN RELATION TO THE CHINA IC FUND II SUBSCRIPTION AGREEMENT

We refer to the circular dated 29 June 2023 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part of. Unless the context otherwise requires, terms used in this letter shall have the same meanings given to them in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the China IC Fund II Subscription Agreement are fair and reasonable, and whether the entering into of the China IC Fund II Subscription Agreement and the transaction contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Messis has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the China IC Fund II Subscription Agreement are fair and reasonable, and whether the entering into of the China IC Fund II Subscription Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 23 to 35 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, having taken into account the advice of Independent Financial Adviser, consider that the terms of the China IC Fund II Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the China IC Fund II Subscription Agreement, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM. Your attention is also drawn to the letter from the Board set out on pages 5 to 20 of the Circular and the additional information set out in the Appendix I to the Circular.

Yours faithfully,
Independent Board Committee
Stephen Tso Tung Chang
Kwai Huen Wong, JP
Long Fei Ye
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser dated 29 June 2023, which sets out its advice to the Independent Board Committee and the Independent Shareholders, for incorporation in this circular.

MESSIS 大有融資

29 June 2023

To: The Independent Board Committee and the Independent Shareholders of Hua Hong Semiconductor Limited

Dear Sir/Madam,

**CONNECTED TRANSACTION
IN RELATION TO
THE CHINA IC FUND II SUBSCRIPTION AGREEMENT
UNDER THE PROPOSED RMB SHARE ISSUE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the China IC Fund II Subscription Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the shareholders dated 29 June 2023, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the announcements of the Company dated 21 March 2022, 12 May 2022, 27 June 2022, 4 November 2022, 30 January 2023, 13 April 2023, 10 May 2023, 17 May 2023 and 28 May 2023 and 7 June 2023, and the circulars dated 7 June 2022 and 5 June 2023 (the “**RMB Share Issue Circulars**”) in relation to, among other things, the Company’s proposed RMB Share Issue under the Specific Mandate, the listing on the STAR Market and the extraordinary general meeting of the Company held on 26 June 2023 (“**26 June EGM**”). References are also made to the announcement of the Company dated 26 June 2023 in relation to, among other things, the poll results of the 26 June EGM at which the above matters were conditionally approved by the Shareholders. The RMB Share Issue is still subject to the necessary Regulatory Approvals.

- (a) Reference is also made to the announcement of the Company dated 28 June 2023, in which the Company announced that on 28 June 2023, it has entered into the China IC Fund II Subscription Agreement, pursuant to which China IC Fund II will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB3,000,000,000, subject to allotment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As China IC Fund II is a substantial shareholder of Wuxi JV2, a non-wholly owned subsidiary of the Company, China IC Fund II is a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Accordingly, the transaction contemplated under the China IC Fund II Subscription Agreement constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

In accordance with the Listing Rules, an Independent Board Committee, consisting of all independent non-executive Directors who have no direct or indirect interests in the China IC Fund II Subscription, namely Stephen Tso Tung Chang, Kwai Huen Wong, JP and Long Fei Ye, has been established to advise the Independent Shareholders as to whether the terms of the China IC Fund II Subscription Agreement are fair and reasonable, whether entering into of the China IC Fund II Subscription Agreement are on normal commercial terms or better and whether in the interest of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Company, and to advise the Independent Shareholders on how to vote. We, Messis Capital limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the China IC Fund II Subscription Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group under Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice regarding the China IC Fund II Subscription Agreement and the transaction contemplated thereunder. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, the China IC Fund II Subscription Agreement and other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the management and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Background of the China IC Fund II Subscription Agreement

References are made to the announcements of the Company dated 21 March 2022, 12 May 2022, 27 June 2022, 4 November 2022, 30 January 2023, 13 April 2023, 10 May 2023, 17 May 2023 and 28 May 2023 and 7 June 2023 and the RMB Share Issue Circulars in relation to, among other things, the Company's proposed RMB Share Issue under the Specific Mandate, the listing on the STAR Market and the 26 June EGM.

References are also made to:

- (i) the announcement of the Company dated 28 June 2023, in which the Company announced that on 28 June 2023, it has entered into the China IC Fund II Subscription Agreement, pursuant to which China IC Fund II will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB3,000,000,000, subject to allotment; and
- (ii) the China IC Fund II Subscription Agreement among the Company, China IC Fund II, Guotai Junan and Haitong Securities, whereby China IC Fund II will participate in the proposed RMB Share Issue as a strategic investor by subscribing for RMB Shares under the RMB Share Issue up to an aggregate subscription amount of RMB3,000,000,000, subject to allotment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefits of the China IC Fund II Subscription

As stated in the Letter from the Board, the China IC Fund II Subscription is part of the RMB Share Issue, and 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.

We have reviewed the annual report of the Company for the year ended 31 December 2022 (“**Annual Report 2022**”) and noted that the Company was a pure-play 8-inch and 12-inch wafer foundry, with its long-term focus on the development and application of “8-inch + 12-inch” differentiated specialty technologies, including Embedded/Standalone Non-Volatile Memory, Power Discrete, Analog & Power Management, Logic & RF, providing wafer manufacturing services to its customers. As noted from the RMB Shares Issue Circulars, the use of proceeds from the China IC Fund II Subscription is in line with the Company's business and overall strategies. We also noted that the RMB Share Issue has been approved by the Independent Shareholders.

In particular, as set out in the RMB Share Issue Circulars, the proceeds from the RMB Share Issue, including the proceeds from the China IC Fund II Subscription, after deducting the issuance expenses are proposed to be used for the “Hua Hong Manufacturing (Wuxi) Project”, the “the 8-Inch Factory Optimisation and Upgrading Project”, the “Specialty Technological Innovation and Research and Development Project” and replenishment of working capital.

According to the RMB Share Issue Circulars, approximately 70% (RMB12.5 billion) would be used for the investment in the “Hua Hong Manufacturing (Wuxi) Project”, which is a project undertaken by Wuxi JV2. The project aims at engaging in the design, research, manufacturing, testing, packaging and sale of integrated circuits fabricated on 12-inch (300mm) wafers. The Company expects to establish production facilities and make required purchases of various types of equipment, such as inspection equipment, furnaces and implanters. The chips are expected to be used in technical products such as high-density smart card integrated circuits, microcontrollers, smart power management systems and system-on-chips. Production is expected to commence in early 2025, with the monthly production capacity targeted to be 40,000 wafers by the second quarter of 2026. The Company expects that the project will be able to extend the existing technology and product strategy of the Company and capture opportunities presented by the increasing demands of 12-inch (300mm) wafers. According to the announcement of the Company dated 11 May 2023 in relation to its 2023 first quarter results, the new production lines in Wuxi will provide capacity support for the medium- and long-term development of the Company's specialty processes and to better meet market demand for the advanced “Specialty IC + Power Discrete” technologies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the RMB Share Issue Circulars, other than the use of proceeds on the “Hua Hong Manufacturing (Wuxi) Project”, approximately 11% (i.e. RMB2 billion) would be used for the “the 8-Inch Factory Optimisation and Upgrading Project”, which is a project undertaken by Shanghai Huahong Grace Semiconductor Manufacturing Corporation, a wholly-owned subsidiary of the Company. The project aims at upgrading a part of logic technology platform production lines and power device technology platform production lines, with a view to matching the technological requirements of the relevant specialty platforms and enhancing the flexible manufacturing capability of the power device technology platform. As noted from the Annual Report 2022, for the most recent three years, annual production capacity of 8-inch wafer equivalent increased each year from 2.4852 million to 3.2604 million and then 3.8627 million, with a CAGR of 24.67%, while for the year ended 31 December 2022, the capacity utilization of 8-inch wafer equivalent was 107.4%.

As noted from the RMB Share Issue Circulars, approximately 13% (RMB2.5 billion) would be used for the “Specialty Technological Innovation and Research and Development Project”, for the purpose of enhancing the Company’s proprietary innovation and research and development capabilities. As noted from the Annual Report 2022, the Company is committed to research and development, innovation, and optimization of differentiated technologies, with a focus on eNVM, sNVM, Discrete, analog & PM, and logic & RF. The Company anticipated that there will be rapid growth in the application of new energy in the world as well as demand for semiconductors in automobiles and other industries. The Company’s process of research and development will be rapidly oriented towards relevant fields.

We note from the Annual Report 2022 that the net cash flows used in investing activities has increased by approximately 7.8% for the year ended 31 December 2022 as compared to the previous year, we consider that allocating approximately 6% (RMB1 billion) of the proceeds for the replenishment of working capital could enhance the financial position of the Company.

Based on the above, given that (i) the use of proceeds from the China IC Fund II Subscription is in line with the Company’s business strategy; (ii) the proceeds will be applied to the core business of the Company; and (iii) the RMB Share Issue has been approved by the Shareholders, we consider that although the entering into of the China IC Fund II Subscription Agreement is not in the ordinary and usual course of business of the Company due to the nature of such transaction, the China IC Fund II Subscription, which forms part of the RMB Share Issue, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the China IC Fund II Subscription Agreement

The details of the China IC Fund II Subscription Agreement are as follows:

- (1) Date : 28 June 2023
- (2) Parties : 1. the Company, as the issuer;
2. China IC Fund II, as the subscriber; and
3. Guotai Junan and Haitong Securities, as the joint sponsors and lead underwriters.
- (3) Subscription price : The price of each RMB Share to be subscribed for by China IC Fund II shall be the same as the offer price of the RMB Shares under the RMB Share Issue.

As set out in the RMB Share Issue Circulars, 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.

Pricing procedures shall be based on strict market and regulatory procedures and requirements, including but not limited to the following:

1. Before publication of the preliminary pricing enquiry announcement, relevant documents including the announcement itself, the issuance plan, investment valuation report and strategic placement plan shall be submitted to the SSE;
2. The difference between the maximum and minimum initial subscription prices of the offline investors shall not exceed 20% of the minimum price;
3. The difference between the upper end and the lower end of the issue price range shall be determined by the Company and the lead underwriters after excluding a portion of the highest quotations and shall not exceed 20% of the lower end of the issue price range;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. If the issue price after the initial enquiry is not within the valuation range of the investment valuation report, the Company and the lead underwriters shall explain the reasons to the SSE and notify the Securities Association of China; and
5. The Company and the lead underwriters shall determine the issue price with prudence by methods of accumulative bidding enquiry or classified placement.

The final offer price of the RMB Shares under the RMB Share Issue, and thus the subscription price of the RMB Shares to be subscribed for by China IC Fund II, is expected to be fixed on the third business day following the commencement of the RMB Share Issue. The Company will make a further announcement when the final offer price is determined.

- (4) Maximum subscription amount : RMB3,000,000,000

The maximum subscription amount for the China IC Fund II Subscription represents the maximum commitment of China IC Fund II to the strategic placing portion of the RMB Share Issue.

- (5) Allotted subscription amount and number of RMB Shares to be subscribed for : The allotted subscription amount for the China IC Fund II Subscription, representing the final subscription amount allocated to China IC Fund II in connection with the strategic placing portion of the RMB Share Issue, will be such amount as stated on the notice of payment to be issued by the Joint Sponsors to China IC Fund II. Such notice will be sent to all investors under the strategic placing portion of the RMB Share Issue at the same time, and is currently expected to be issued on the day of commencement of the RMB Share Issue.

The allotted subscription amount will be determined based on book-building for the strategic placing portion of the RMB Share Issue, taking into account, among others, (i) the final offer price of the RMB Shares under the RMB Share Issue, (ii) the scale of the RMB Share Issue and the number of shares allotted to the strategic placing portion, and (iii) the commitment of the prospective strategic investors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The allotted subscription amount for the China IC Fund II Subscription will not exceed the maximum subscription amount of RMB3,000,000,000.

The number of RMB Shares to be subscribed for by China IC Fund II pursuant to the China IC Fund II Subscription will be such number of RMB Shares that may be subscribed for at the final offer price to be determined with an aggregate subscription amount equal to the allotted subscription amount.

For reference and illustration purposes only, based on the maximum subscription amount of RMB3,000,000,000, and assuming (i) all 433,730,000 RMB Shares will be issued under the RMB Share Issue pursuant to the Specific Mandate and (ii) an offer size of RMB18 billion (being the lower end of the estimated offer size as at the Latest Practicable Date), the number of RMB Shares to be subscribed for by China IC Fund II would be 72,288,333 RMB Shares, representing approximately 16.67% of the total number of RMB Shares which may be issued under the RMB Share Issue, and approximately 4.15% of the enlarged share capital of the Company upon completion of the RMB Share Issue (including RMB Shares which may be issued pursuant to the exercise of an over-allotment option based on negotiations between the Company and the lead underwriters, and assuming that there are no changes in the share capital of the Company after the Latest Practicable Date and prior to the completion of the RMB Share Issue). On this basis, China IC Fund II would not become a substantial shareholder (as defined under the Listing Rules) of the Company upon completion of the RMB Share Issue.

- (6) Method of payment of subscription price : The maximum subscription amount shall be paid in cash by China IC Fund II upon receipt of a notice of payment to be issued by the Joint Sponsors to China IC Fund II.

To the extent that the allotted subscription amount is less than the maximum subscription amount, the difference will be refunded to China IC Fund II after the number of RMB Shares allotted to China IC Fund II has been confirmed.

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(7) Conditions precedent : The obligation of China IC Fund II to subscribe for the RMB Shares is subject to the satisfaction of the following conditions:

1. the Company having obtained the necessary approvals from the Board and/or the Shareholders for any related or connected transactions involved in the strategic placing portion of the RMB Share Issue; and
2. the Company having received approval from the CSRC for the registration of the proposed RMB Share Issue.

As disclosed in the Company's announcement dated 7 June 2023, the application for the registration of the proposed RMB Share Issue was approved by the CSRC on 6 June 2023. In addition, the Company has obtained the necessary Board approval for the China IC Fund II Subscription. There are no other transactions in the strategic placing portion of the RMB Share Issue which would require further approval from the Board and/or the Shareholders. Therefore, as at the date of the Circular, save for the Shareholders' approval which is being sought at the EGM in respect of the China IC Fund II Subscription, all of the above conditions have been satisfied.

(8) Lock-up period : RMB Shares subscribed for by China IC Fund II and such other Shares obtained by China IC Fund II as a result of bonus shares or capitalization of the Company in connection with the RMB Shares will be subject to a 12 months' lock-up period commencing from the completion of the RMB Share Issue and the listing of the RMB Shares on the SSE.

Subscription price

As advised by the Company, the subscription price for the China IC Fund II Subscription will be determined at a later stage, and the maximum subscription amount committed by China IC Fund II will not exceed RMB3 billion. As disclosed in the RMB Share Issue Circulars, to ensure the offer price is in the interests of the Company and the Shareholders as a whole, 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. Pricing related documents including the preliminary pricing enquiry announcement, the issuance plan, investment valuation report and strategic placement plan shall be submitted to the SSE, while the difference between the maximum and minimum initial subscription prices of the offline investors shall not exceed 20% of the minimum price and the difference between

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the upper end and the lower end of the issue price range shall be determined by the Company and the lead underwriters after excluding a portion of the highest quotations and shall not exceed 20% of the lower end of the issue price range. If the issue price after the initial enquiry is not within the valuation range of the investment valuation report, the Company and the lead underwriters shall explain the reasons to the SSE and notify the Securities Association of China. Also, the Company and the lead underwriters shall determine the issue price with prudence by methods of accumulative bidding enquiry or classified placement.

As advised by the Company, the offer price of each RMB Share under the RMB Share Issue will be the same for all subscribers, and therefore, the subscription price for China IC Fund II will also be the same as other independent third party subscribers. We have randomly obtained and reviewed three samples of subscription agreements entered into between the Company and independent third parties and noted that the independent third parties are subject to the same pricing arrangements. We have also reviewed the Implementing Rules of the Shanghai Stock Exchange for the Issuance and Underwriting Business for Initial Public Offerings of Securities (上海證券交易所首次公開發行證券發行與承銷業務實施細則), and noted that where an initial public offering of securities adopts the price inquiry method, price inquiries shall be made to professional institutional investors (such as securities firms, fund management companies, futures companies, trust companies, insurance companies, finance companies, qualified foreign institutional investors and private fund managers). The pricing mechanism of the China IC Fund II Subscription Agreement is in accordance with the pricing requirement as stated in the Implementing Rules of the Shanghai Stock Exchange for the Issuance and Underwriting Business for Initial Public Offerings of Securities (上海證券交易所首次公開發行證券發行與承銷業務實施細則). As all the subscribers, whether connected or not, are subject to the same pricing mechanism, we are of the view that the subscription price of the China IC Fund II Subscription Agreement is no less favourable to the Company when compared with other independent subscription agreements under the RMB Share Issue, and are on normal commercial terms.

Lock-up period

As stated in the Letter from the Board, RMB Shares subscribed for by China IC Fund II and such other Shares obtained by China IC Fund II as a result of bonus shares or capitalization of the Company in connection with the RMB Shares will be subject to a 12 months' lock-up period commencing from the completion of the RMB Share Issue and the listing of the RMB Shares on the SSE.

As advised by the Company, other independent subscribers are also subject to the same RMB Shares lock-up terms. We have randomly obtained and reviewed three samples of subscription agreements entered into between the Company and independent third parties and noted that the independent third parties are subject to the same lock-up arrangements.

As such, we are of a view that the China IC Fund II Subscription Agreement is no less favourable to the Company when compared with other independent subscription agreements under the RMB Share Issue, and are on normal commercial terms.

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Comparable transactions

In considering whether the terms of the China IC Fund II Subscription Agreement are fair and reasonable, we have conducted market research on recent RMB share issue transactions (the “**Comparable Transactions**”) based on the following selection criteria: (i) the shares of the company are listed on the Stock Exchange; (ii) the RMB share issue is on the STAR Market of the SSE; and (iii) RMB share issue transactions with circular issued during the period commencing from 29 June 2021 up to 28 June 2023 (the “**Review Period**”), being 2 years prior to the date of entering into the China IC Fund II Subscription Agreement. We consider that the Review Period of approximately 2 years prior to the entering into the China IC Fund II Subscription Agreement reflects a representative sample of the recent market practice of RMB shares issue transactions for comparison purpose, and the Comparable Transactions identified are an exhaustive list based on the said criteria above. The major terms of the Comparable Transactions are set out below:

Company name (stock code)	Date of circular in relation to the proposed RMB share/A share issue on the STAR Market	Subscription price	Lock-up period
InnoCare Pharma Limited (Stock code: 9969)	3 June 2021, 18 May 2022 and supplemental circular dated 6 June 2022	The price for the issue will be determined by the Company and the sponsor (lead underwriter) based on the results of preliminary offline investor price inquiry upon negotiation, or other means as approved by CSRC or the SSE.	No disclosure
Jenscare Scientific Co., Ltd. (Stock code: 9877)	14 April 2023	The issue price for the A Shares will be determined by the Company according to the authorization (if granted at the EGM and the Class Meetings) and the lead underwriter(s) in accordance with applicable laws and regulations, or by other pricing methods recognized by the CSRC and the Shanghai Stock Exchange.	No disclosure

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Company name (stock code)	Date of circular in relation to the proposed RMB share/A share issue on the STAR Market	Subscription price	Lock-up period
Akeso, Inc. (Stock code: 9926)	3 May 2023	<p>Based on the Company Law of the PRC (《中華人民共和國公司法》), the issue price of the A Shares shall not be lower than the nominal value of the Shares of the Company, i.e. RMB1.00 per Share. There is no other legal or regulatory requirements stipulating the price floor in the Issue of A Shares.</p> <p>The price for the issue will be determined by the Company, the sponsor (lead underwriter) and the joint lead underwriter based on the results of preliminary offline investor price inquiry upon negotiation, or other means as approved by CSRC or the SSE.</p>	No disclosure

We note that the subscription price of the Comparable Transactions was mainly (i) not fixed at the time of the relevant announcements; (ii) determined by the Company and the sponsor (lead underwriter) based on the results of preliminary offline investor price inquiry upon negotiation, or other means as approved by CSRC; and (iii) set with reference of not lower than the net asset value per share attributable to the shareholders of the respective company. Among the terms disclosed in the Comparable Transactions announcements, we do not note any terms in relation to the lock-up period. However, as advised by the Company, other independent subscribers are also subject to the same RMB Shares subscription terms as the China IC Fund II Subscription Agreement. As such, we are of a view that the China IC Fund II Subscription Agreement and its terms are no less favourable to the Company when compared with other subscription agreements entered into between the Company and independent third parties under the RMB Share Issue, and reflect terms that are accepted by the general market.

In view of the above, we are of the view that the principal terms of the China IC Fund II Subscription Agreement are in line with the general market terms of the Comparable Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the foregoing, we consider that the terms of the China IC Fund II Subscription Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Based on the above, we consider that although the entering into of the China IC Fund II Subscription Agreement is not in the ordinary and usual course of business of the Company due to the nature of such transaction, having taken into account the above mentioned principal factors and reasons, we are of the view that the terms of the China IC Fund II Subscription Agreement and the transaction contemplated thereunder are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the China IC Fund II Subscription Agreement and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Anderson Wong
Managing Director

Mr. Anderson Wong is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

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

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

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

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

Note:

- (1) Long position in the underlying shares of the Company under share options granted pursuant to the share option scheme adopted by the Company on 1 September 2015. The exercisable price per Share is HK\$18,400. As at the Latest Practicable Date, Mr. Junjun TANG had not exercised any of such share options.

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of substantial Shareholder	Nature of interest	Number of Shares directly or indirectly held	Approximate percentage of Interests
Hua Hong International (Note 1)	Legal and beneficial owner	347,605,650	26.57%
Shanghai Huahong (Group) Co., Ltd.* (上海華虹(集團)有限公司, “ Huahong Group ”) (Note 1)	Interest in a controlled corporation	347,605,650	26.57%
Sino-Alliance International (Note 2)	Legal and beneficial owner	160,545,541	12.27%
Sino-Alliance International (Note 2)	Interest in a controlled corporation	28,415,606	2.17%
SAIL (Note 3)	Interest in a controlled corporation	188,961,147	14.44%
Xinxin (Note 4)	Legal and beneficial owner	178,705,925	13.66%
Xun Xin (Shanghai) Investment Co., Ltd.* (巽鑫(上海)投資有限公司, “ Xun Xin ”) (Note 4)	Interest in a controlled corporation	178,705,925	13.66%
China IC Fund (Note 4)	Interest in a controlled corporation	178,705,925	13.66%

Notes:

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

- (4) Xinxin is a wholly-owned subsidiary of Xun Xin, which is in turn a wholly-owned subsidiary of China IC Fund.

* *For identification purpose only*

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

4. DIRECTORS' OTHER INTERESTS

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

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTERESTS

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

7. NO MATERIAL ADVERSE CHANGE

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

8. LITIGATION

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

9. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Expert	Qualification
Messis Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Messis has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Messis did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Messis did not have any interest, direct or indirect, in any assets which since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up, had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. DOCUMENTS ON DISPLAY

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

- (a) the China IC Fund II Subscription Agreement;
- (b) the letter from the Independent Board Committee dated 29 June 2023 to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this circular;
- (c) the letter from the Independent Financial Adviser dated 29 June 2023 to the Independent Shareholders, the text of which is set out on pages 23 to 35 of this circular;

- (d) the written consent of Messis referred to in the section headed “Expert’s Qualification and Consent” in this appendix; and
- (e) this circular.

11. GENERAL

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



HUA HONG SEMICONDUCTOR LIMITED

華虹半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1347)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the “EGM”) of Hua Hong Semiconductor Limited (the “Company”) will be held at 10:30 a.m. on 14 July 2023 with the combination of a physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong and a virtual meeting online for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution of the Company.

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as ascribed to them in the circular dated 29 June 2023 issued by the Company.

ORDINARY RESOLUTION

1. “**THAT,**

- (a) the China IC Fund II Subscription Agreement (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for identification purpose), and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the necessary Regulatory Approvals, the Board be and is hereby authorised to utilise the Specific Mandate approved by the Shareholders on 27 June 2022 (the validity of which has been extended to 26 June 2024 as approved by the Shareholders on 26 June 2023) to the extent of allotting and issuing such number of RMB Shares to China IC Fund II in accordance with the terms of the China IC Fund II Subscription Agreement;
- (c) any one Director of the Company be and is hereby authorised to do all such acts and things, to sign and execute documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the China IC Fund II Subscription Agreement and/or any transaction contemplated thereunder, and to agree to such variation, amendment or waiver of matters relating thereto as are, in the opinion of such Director, in the interests of the Company and its Shareholders as a whole.”

* *For identification purpose only*

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

29 June 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The Company will conduct a hybrid extraordinary general meeting with the combination of a physical meeting and a virtual meeting online. Shareholders will have the option of joining the EGM either (a) through the physical meeting at Kowloon Shangri-La Hong Kong, 64 Mody Road, Kowloon, Hong Kong; or (b) through the Internet by using their computer, tablet device or smartphone.

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

2. The proposed resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
3. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company on 29 June 2023, not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 10:30 a.m. on 12 July 2023. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Registered Shareholders are requested to provide a valid email address of his or her proxy (except appointment of "The Chairman of the Meeting") for the proxy to receive the login and access code to participate online to the e-Meeting System.
6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from 13 July 2023 to 14 July 2023 (both days inclusive), during which period no transfer of Shares in the Company will be registered. In order to qualify for attending and voting at the EGM, all transfers, accompanied by the relevant certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by no later than 4:30 p.m. on 12 July 2023.
7. Upon arrival at the venue of the EGM, voting slip(s) will be given to every Shareholder present in person (or in the case of a corporation by its authorised representative) or by proxy to cast his/her/its vote(s). Each Shareholder/authorised representative/proxy present in venue will have to access to the e-Meeting System via the QR Code given on the voting slip and cast his/her vote(s) on the e-Meeting System. If registered Shareholders would like to participate online, he/she can log on to the e-Meeting System using his/her personalized login and access code and cast his/her vote(s) on the e-Meeting System. Each Shareholders' proxy authorisation and instruction will be revoked if he/she attends in person at the EGM or attend via the e-Meeting System. For details, please refer to the Online Meeting User Guide available at the e-Meeting System.
8. Since the Company will conduct a hybrid extraordinary general meeting with the combination of a physical meeting and a virtual meeting online, certain Director(s) may attend the EGM through telephone/video conference or similar electronic means.
9. A circular containing further details concerning paragraph 1 in this notice will be sent to all Shareholders of the Company.