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## **HUA HONG SEMICONDUCTOR LIMITED**

**華虹半導體有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 01347)**

### **CONTINUING CONNECTED TRANSACTION REVISION OF SALES TRANSACTIONS ANNUAL CAP OF THE 2023 HUAHONG GROUP FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated 30 December 2022 (the “**Announcement**”) in relation to, amongst others, the 2023 Huahong Group Framework Agreement entered into between the Company and Huahong Group for a term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcement.

The existing Huahong Group Sales Transactions Annual Cap under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023 is USD18,100,000.

In light of the rapid development of new energy and electric vehicles, the growth in demand for IC and wafers from end users in these sectors in 2023 has been higher than anticipated. As such, the Group’s sales of IC and wafers to Huahong Group Companies in 2023 exceeds the Company’s forecast. The Company expects to receive further orders from Huahong Zealcore for the remainder of the year. Accordingly, the Board is of the view that the existing Huahong Group Sales Transactions Annual Cap will not be sufficient to meet the expected transaction amount for the year ending 31 December 2023 under the 2023 Huahong Group Framework Agreement. Therefore, the Company intends to change such cap to USD21,100,000.

As at the date of this announcement, Huahong Group is a substantial shareholder of the Company. Accordingly, Huahong Group and the Huahong Group Companies (including Huahong Zealcore) are connected persons of the Company and the transactions contemplated under the 2023 Huahong Group Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the revised Huahong Group Sales Transactions Annual Cap under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023 is above 0.1% but less than 5%, the sales transactions contemplated under the 2023 Huahong Group Framework Agreement are only subject to the reporting, annual review and announcement requirements but are exempted from the circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## BACKGROUND

Reference is made to the Announcement in relation to, amongst others, the 2023 Huahong Group Framework Agreement dated 30 December 2022 entered into between the Company (on behalf of the Group) and Huahong Group (on behalf of Huahong Group Companies) for a term of one year from 1 January 2023 to 31 December 2023 (both dates inclusive), pursuant to which, amongst others, the Group has agreed to sell semiconductor products, including wafers and IC, to Huahong Group Companies as part of the Company's ordinary course of business.

In light of the rapid development of new energy and electric vehicles, the growth in demand for IC and wafers from end users in these sectors in 2023 has been higher than anticipated. As such, the Group's sales of IC and wafers to Huahong Group Companies in 2023 exceeds the Company's forecast. The Company expects to receive further orders from Huahong Zealcore for the remainder of the year, which leads to an increase in the annual transaction amount of sales to Huahong Group Companies. To this end, the Board is of the view that the existing Huahong Group Sales Transactions Annual Cap will not be sufficient to meet the expected transaction amount for the year ending 31 December 2023 under the 2023 Huahong Group Framework Agreement, and such cap should be revised upward accordingly.

Save for the revision of the sales transactions annual cap as described below, the terms of the 2023 Huahong Group Framework Agreement have not been changed or modified in any aspect and the major terms thereof were set out in the section headed "1.1 Principal terms of the 2023 Huahong Group Framework Agreement" in the Announcement. The pricing basis of sales transactions under the 2023 Huahong Group Framework Agreement as set out in the section headed "1.2 Pricing basis of sales transactions" in the Announcement also remains unchanged.

## REVISION OF HUAHONG GROUP SALES TRANSACTIONS ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2023

### Historical transaction amounts and the existing Huahong Group Sales Transactions Annual Cap

The following table sets out the historical transaction amounts of sales to Hongri and Huahong Zealcore for the years ending 31 December 2021 and 2022 and for the period commencing on 1 January 2023 and ending on 31 October 2023:

*(Unit: USD'000)*

Transaction amounts	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the ten months ended 31 October 2023 (unaudited)
Hongri	3,376	3,342	1,741
Huahong Zealcore	6,404	9,711	13,670
<b>Total</b>	<b>9,780</b>	<b>13,053</b>	<b>15,411</b>

The amount of sales made to Huahong Group Companies under the 2023 Huahong Group Framework Agreement for the period commencing on 1 January 2023 and ending on 31 October 2023 was approximately USD15,411,000, representing approximately 85.14% of the existing Huahong Group Sales Transactions Annual Cap (i.e. USD18,100,000).

As at the date of this announcement, the existing Huahong Group Sales Transactions Annual Cap for the year ending 31 December 2023 has not been exceeded.

### **Revised Huahong Group Sales Transactions Annual Cap**

The Company proposes that the Huahong Group Sales Transactions Annual Cap for the year ending 31 December 2023 be revised upward to USD21,100,000.

### **BASIS FOR DETERMINING THE REVISED HUAHONG GROUP SALES TRANSACTIONS ANNUAL CAP**

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

- (i) the historical sales transaction amounts and volumes of products sold to Huahong Zealcore and Hongri during 2023 under the 2023 Huahong Group Framework Agreement;
- (ii) the estimated volume of orders for the relevant semiconductor products which the Group expects to receive from Huahong Zealcore and Hongri for the remainder of 2023;
- (iii) the production capacity of the Group to handle the aforesaid expected orders; and
- (iv) the general market conditions of the semiconductor market and the development of the key sectors including new energy and electric vehicles.

### **REASONS FOR AND BENEFITS OF REVISING THE HUAHONG GROUP SALES TRANSACTIONS ANNUAL CAP**

In light of the rapid development of new energy and electric vehicles, the growth in demand for IC and wafers from end users in these sectors in 2023 has been higher than anticipated. As such, the Group's sales of IC and wafers to Huahong Group Companies in 2023 exceeds the Company's forecast. As at 31 October 2023, approximately 85.14% of the existing Huahong Group Sales Transactions Annual Cap was utilized. The Company expects to receive further orders from Huahong Zealcore for the remaining time of the year, which leads to an increase in the annual transaction amount of sales to Huahong Group Companies.

Accordingly, the Board is of the view that the existing Huahong Group Sales Transactions Annual Cap will not be sufficient to meet the expected transaction amount for the year ending 31 December 2023 under the 2023 Huahong Group Framework Agreement, and such cap should be revised upward accordingly. An increase in such annual cap allows the Group to further exploit the surging demands for semiconductor products in the new energy and electric vehicles sectors. This is also in line with the Group's expansion plans with one of the focuses of its "8-inch + 12-inch" corporate strategy on the automobile sector.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the 2023 Huahong Group Framework Agreement and the revised Huahong Group Sales Transactions Annual Cap are fair and reasonable; (ii) the terms of the 2023 Huahong Group Framework Agreement are on normal commercial terms or better and the transactions thereunder are and will continue to be conducted in the ordinary and usual course of business of the Group; and (iii) the terms of the 2023 Huahong Group Framework Agreement and the revision of the Huahong Group Sales Transactions Annual Cap are in the interest of the Company and its Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Huahong Group is a substantial shareholder of the Company. Accordingly, Huahong Group and the Huahong Group Companies (including Huahong Zealcore) are connected persons of the Company and the transactions contemplated under the 2023 Huahong Group Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Huahong Group Sales Transactions Annual Cap under the 2023 Huahong Group Framework Agreement for the year ending 31 December 2023 is above 0.1% but less than 5%, the sales transactions contemplated under the 2023 Huahong Group Framework Agreement are only subject to the reporting, annual review and announcement requirements but are exempted from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

## **INFORMATION ABOUT THE PARTIES**

### **The Company**

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

## **Huahong Group**

Huahong Group is a high-tech industry group which primarily focuses on IC manufacturing, research and development of advanced IC manufacturing process, IC systems integration and application services, sale of electronic components and overseas venture capital investment. For details of other Huahong Group Companies the transactions with which are to be governed by the 2023 Huahong Group Framework Agreement, please refer to the Announcement.

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

Hong Kong, 1 December 2023

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

***Executive Directors:***

Suxin Zhang (*Chairman*)

Junjun Tang (*President*)

***Non-Executive Directors:***

Guodong Sun

Jun Ye

***Independent Non-Executive Directors:***

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye