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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 FORMATION OF JOINT VENTURE

THE JOINT VENTURE AGREEMENT

On 20 November 2020, HHGrace, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with Huahong Group and Shanghai Huali in relation to the proposed formation of the Joint Venture. Pursuant to the Joint Venture Agreement, HHGrace agreed to make a capital contribution of RMB96 million in cash, representing 20% of the total capital contribution of the Joint Venture, and Huahong Group and Shanghai Huali agreed to make a capital contribution of RMB288 million and RMB96 million in cash, respectively, representing 60% and 20% of the total capital contribution of the Joint Venture.

Pursuant to the Joint Venture Agreement, the Joint Venture shall engage in the investment (including equity investment, investment management and asset management), consultancy (including corporate, business and investment consultancy) and sales and services of integrated circuits.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Huahong Group is a controlling shareholder of the Company and Shanghai Huali is 53.79% owned by Huahong Group, a controlling shareholding of the Company. Accordingly, Huahong Group and Shanghai Huali are connected persons of the Company and the transactions contemplated under the Joint Venture Agreement constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of more of the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the investment amount under the Joint Venture Agreement is above 0.1% but below 5%, the Joint Venture Agreement is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

On 20 November 2020, HHGrace, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement with the Huahong Group and Shanghai Huali in relation to the proposed formation of the Joint Venture. Pursuant to the Joint Venture Agreement, HHGrace agreed to make a capital contribution of RMB96 million in cash, representing 20% of the total capital contribution of the Joint Venture, and Huahong Group and Shanghai Huali agreed to make a capital contribution of RMB288 million and RMB96 million in cash, respectively, representing 60% and 20% of the total capital contribution of the Joint Venture.

2. JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are summarised below:

Date: 20 November 2020

Parties: (i) HHGrace;
(ii) Huahong Group; and
(iii) Shanghai Huali

Registered Capital:	Shareholder	Capital Contribution (RMB million)	Shareholding Percentage
	Huahong Group	288	60%
	Shanghai Huali	96	20%
	HHGrace	96	20%
	Total	480	100%

The registered capital of the Joint Venture is RMB480 million. Each of HHGrace, Huahong Group and Shanghai Huali shall pay an initial investment of RMB9.6 million, 28.8 million, and 9.6 million, respectively, to the account of the Joint Venture upon the setting up of the Joint Venture, with the remaining amounts to be settled within three years.

The amounts of the capital contributions under the Joint Venture Agreement were determined after arm's length negotiations among the parties, taking into account various factors, including the nature of the business, the demand for working capital and future development plans of the Joint Venture. HHGrace shall satisfy its capital through its internal resources.

Principal Business: The Joint Venture will be principally engaged in the investment (including equity investment, investment management and asset management), consultancy (including corporate, business and investment consultancy) and sales and services of integrated circuits.

Nomination of Director, Supervisor and Manager(s): The Joint Venture shall comprise one executive director and one supervisor, both nominated by Huahong Group. It shall not have any board of directors or supervisory committee. Depending on business needs, the Joint Venture may also designate a chief manager and several vice managers.

3. REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

The entering into of the Joint Venture Agreement and the formation of the Joint Venture thereunder will facilitate the expansion of the Company's businesses in the integrated circuit sector as well as the exploration of the cooperation and synergy with integrated circuit enterprises in order to realize innovation in business model and diversify the business.

The Directors (including the independent non-executive Directors) consider that the terms of the Joint Venture Agreement to be on normal commercial terms in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

4. INFORMATION OF THE COMPANY AND THE PARTIES

The Company

The Company primarily focuses on research and manufacturing of semiconductors on 200mm wafers for specialty applications, in particular eNVM and power discretetes.

HHGrace

HHGrace is a wholly foreign owned enterprise incorporated in the PRC on January 24, 2013 and a wholly-owned subsidiary of the Company. The principal business of HHGrace is to research, develop, manufacture and sell semiconductors as a pure-play foundry.

Huahong Group

Shanghai Huahong is a company incorporated in the PRC on 9 April 1996, first as Shanghai Hua Hong Microelectronic Co., Ltd. and later renamed as Shanghai Huahong (Group) CO., Ltd. in 1998, and a controlling shareholder of the Company.

Shanghai Huali

Shanghai Huali is 53.79% owned by Huahong Group, a controlling shareholder of the Company. Shanghai Huali's principal business is developing and operating a 300mm wafer fab.

5. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Huahong Group is a controlling shareholder of the Company and Shanghai Huali is 53.79% owned by Huahong Group, a controlling shareholding of the Company. Accordingly, Huahong Group and Shanghai Huali are connected persons of the Company and the transactions contemplated under the Joint Venture Agreement constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As one of more of the applicable ratios as set out in Rule 14.07 of the Listing Rules in respect of the investment amount under the Joint Venture Agreement is above 0.1% but below 5%, the Joint Venture Agreement is subject to the reporting and announcement requirements, but is exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Suxin Zhang, Jing Wang, Jun Ye and Junjun Tang, all being directors nominated by Huahong Group and SAIL, respectively, have abstained from voting on the above transactions at the Board meeting.

6. DEFINITIONS

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

“Board”	the board of directors of the Company
“Company”	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability on 21 January 2005, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries (or became such associated companies of the Company), the business operated by such subsidiaries or their predecessors (as the case may be)
“HHGrace”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a wholly foreign-owned enterprise incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronics Co., Ltd. and renamed as Shanghai Huahong (Group) Co., Ltd. in 1998, and a controlling shareholder of the Company
“Joint Venture”	the joint venture to be formed under the Joint Venture Agreement, the proposed name of which is Shanghai Huahong Investment Development Co., Ltd, a limited liability company incorporated in the PRC
“Joint Venture Agreement”	the joint venture agreement entered into on 20 November 2020 among the Company, Huahong Group and Shanghai Huali with respect to the proposed formation of the Joint Venture, details of which are disclosed in the Announcement

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SAIL”	Shanghai Alliance Investment Ltd (上海聯和投資有限公司), a company incorporated in the PRC on September 26, 1994 and a controlling shareholder of the Company
“Shanghai Huali”	Shanghai Huali Microelectronic Corporation (上海華力微電子有限公司), a company incorporated in the PRC on 18 January 2010 which is 53.79% owned by Huahong Group, and a connected person of the Company
“Shares”	shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

On behalf of the Board
Hua Hong Semiconductor Limited
Mr. Suxin Zhang
Chairman and Executive Director

Shanghai, PRC, 20 November 2020

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

Executive Directors:

Suxin Zhang (*Chairman*)

Junjun Tang (*President*)

Non-Executive Directors:

Yang Du

Jing Wang

Jun Ye

Independent Non-Executive Directors:

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye