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

华虹宏力
HHGrace

HUA HONG GRACE SEMICONDUCTOR LIMITED

華虹宏力半導體有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1347)

DISCLOSEABLE TRANSACTION IN RELATION TO THE JV INVESTMENT AGREEMENT AND THE JV SHAREHOLDERS AGREEMENT

THE JV INVESTMENT AGREEMENT AND THE JV SHAREHOLDERS AGREEMENT

On 1 September 2026, the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity, and the Wuxi JV III entered into the JV Investment Agreement, pursuant to which the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, and the CDB Entity agreed to, among others, invest US$1,042.5 million, US$1,084.2 million, US$834.0 million, US$625.5 million and US$583.8 million in cash, respectively, in the Wuxi JV III.

Pursuant to the JV Investment Agreement, the Wuxi JV III shall establish a 12-inch wafer production line with a monthly capacity of approximately 55,000 wafers.

In connection with the JV Investment Agreement, the JV Shareholders will also enter into new articles of association of the Wuxi JV III to reflect the terms as agreed under the JV Investment Agreement.

On the same day, the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity, and the Wuxi JV III entered into the JV Shareholders Agreement. Relevant shares in the Wuxi JV III held by the CDB Entity are subject to a Right to Redemption granted to CDB Entity by HHGrace Shanghai, in accordance with the terms as set out in the JV Shareholders Agreement.

Upon completion of the transactions contemplated under the JV Investment Agreement and the JV Shareholders Agreement, the Wuxi JV III will be held as to approximately 51% by the Group, of which 25% will be held directly by the Company and 26% will be held indirectly by the Company through HHGrace Shanghai, its wholly-owned subsidiary.

IMPLICATIONS UNDER THE LISTING RULES

Formation of a joint venture constitutes a notifiable transaction under Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(f). As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the formation of the Wuxi JV III pursuant to the JV Investment Agreement and the JV Shareholders Agreement exceeds 5% but all are below 25%, the aforesaid transaction constitutes a discloseable transaction subject to announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to Rules 14.73 and 14.74(1) of the Listing Rules, the Right to Redemption will be treated as a transaction and classified by reference to its applicable percentage ratios. Given the Right to Redemption is not exercisable at the discretion of the Company or HHGrace Shanghai, the transaction will be classified as if the Right to Redemption had been exercised on the grant of the Right to Redemption. As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the grant of the Right to Redemption are less than 5%, the grant of the Right to Redemption does not constitute a discloseable transaction and shall not be subject to announcement under Chapter 14 of the Listing Rules.

The JV Investment Agreement and the JV Shareholders Agreement are subject to the fulfilment (or waiver) of certain conditions precedent set out in the JV Investment Agreement and the JV Shareholders Agreement including Shareholders' approval and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

1. THE JV INVESTMENT AGREEMENT

On 1 September 2026, the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity, and the Wuxi JV III entered into the JV Investment Agreement to convert the Wuxi JV III into a joint venture and increase the registered capital of the Wuxi JV III from RMB6.68 million to US$4.17 billion.

The major terms of the JV Investment Agreement are as follows:

Date: 1 September 2026

Parties:

(i) the Company;

(ii) HHGrace Shanghai, a wholly-owned subsidiary of the Company;

(iii) the Wuxi Municipal Entity II;

(iv) Hua Xin Fund;

(v) the CDB Entity; and

(vi) the Wuxi JV III.

	To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity and their respective ultimate beneficial owner(s) (if any) are Independent Third Parties of the Company.
Subscription of capital:	The registered capital of the Wuxi JV III will be increased from RMB6.68 million to US$4.17 billion. In consideration of the capital contribution from the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund and the CDB Entity, the Wuxi JV III will issue share capital in the Wuxi JV III to each of the aforementioned subscribing JV Shareholders. The terms governing each party's subscription of the registered capital of the Wuxi JV III under the JV Investment Agreement are the same as those set out in the JV Shareholders Agreement. Please refer to "Investment Commitment" under the summary of the terms of the JV Shareholders Agreement below for details regarding such subscription.
Other terms:	The Wuxi JV III will be converted into a joint venture. The contribution of the increased capital will be conditional upon, amongst others, approval by the Shareholders of the Company and the completion of the relevant registration and filing in the PRC as set out in the JV Investment Agreement.

2. THE JV SHAREHOLDERS AGREEMENT

On 1 September 2026, the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity, and the Wuxi JV III entered into the JV Shareholders Agreement, pursuant to which, the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, and the CDB Entity agreed to amongst others, invest US$1,042.5 million, US$1,084.2 million, US$834.0 million, US$625.5 million and US$583.8 million in cash, respectively, in the Wuxi JV III.

The major terms of the JV Shareholders Agreement are set out as follows:

Date:	1 September 2026
Parties:	(i) the Company; (ii) HHGrace Shanghai, a wholly-owned subsidiary of the Company; (iii) the Wuxi Municipal Entity II; (iv) Hua Xin Fund; (v) the CDB Entity; and (vi) the Wuxi JV III.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, the Wuxi Municipal Entity II, Hua Xin Fund, the CDB Entity and their respective ultimate beneficial owner(s) (if any) are Independent Third Parties of the Company.

Scope of Wuxi JV III Business:	The Wuxi JV III intends to engage in the manufacturing and sale of integrated circuits products, as well as providing design and services related to the aforesaid products.
Total Investment Amount:	The total investment by the Wuxi JV III in its business will amount to US$6.95 billion, which was determined after arm's length negotiations by all parties to the JV Shareholders Agreement based on the need to finance the business contemplated under the JV Shareholders Agreement. Of the total investment amount of US$6.95 billion, US$4.17 billion will be funded by way of equity capital contribution by the JV Shareholders, and the rest of the total investment amount, i.e. US$2.78 billion, will be raised by way of debt financing.
Registered Capital:	The registered capital of the Wuxi JV III will be US$4.17 billion.
Investment Commitment of the JV Shareholders:	The Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund, and the CDB Entity have agreed to invest US$1,042.5 million, US$1,084.2 million, US$834.0 million, US$625.5 million and US$583.8 million, respectively, in the Wuxi JV III, which will be provided in cash in the RMB equivalent of such amount. For the avoidance of doubt, HHGrace Shanghai's investment includes the initial capital of RMB6.68 million for the purpose of incorporating the Wuxi JV III. Upon completion of the relevant filing(s) with the PRC authorities, the registered capital of the Wuxi JV III will increase from RMB6.68 million to US$4.17 billion, and the Wuxi JV III will be owned as to approximately 25%, 26%, 20%, 15% and 14% by the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund and the CDB Entity respectively.

Except for the CDB Entity which has made full payment of its investment commitment, each of the other four JV Shareholders has agreed to invest in the Wuxi JV III in two (2) separate tranches, on a pro-rata basis:

(i) the first tranche being 80% of their respective investment commitment, to be paid no later than 31 October 2026, subject to the satisfaction and/or waiver in writing by the JV Shareholders of the conditions precedent (save for conditions that cannot be waived as expressed in the JV Shareholders Agreement) set out below;

(ii) the second tranche being 20% of their respective investment commitment, to be paid no later than 31 March 2027, subject to the Wuxi JV III having completed the relevant state-owned assets property rights registration and subject to the satisfaction of the conditions precedent set out below.

Notwithstanding the foregoing, subject to the satisfaction of the condition(s) precedent for the payment of each tranche (if any), the Wuxi JV III may adjust the proportion and timing of each tranche of payment based on its actual capital needs after obtaining unanimous written consent from the JV Shareholders.

Conditions Precedent: ***First tranche***

The payment of the first tranche by each of the JV Shareholders (being 80% of their respective investment commitment), is conditional upon the satisfaction and/or waiver in writing by the JV Shareholders (as applicable) of, amongst others, the following conditions:

(i) the Company has completed the relevant registration of property rights of state-owned assets;

(ii) each of the JV Shareholders having obtained their respective internal approvals of the transactions contemplated under the JV Shareholders Agreement and the JV Investment Agreement;

(iii) the Company having obtained its Shareholders' approval at the EGM in respect of the transactions contemplated under the JV Shareholders Agreement and the JV Investment Agreement;

(iv) the completion of the window guidance process of the relevant national industry authorities of the PRC and each of the JV Shareholders having obtained the project approval or filing documents from the local development and reform commission of the PRC;

(v) the transaction documents relating to the transactions contemplated under the Wuxi JV III (including the JV Shareholders Agreement, the JV Investment Agreement and the Articles of Association) ("**Transaction Documents**") having been formally executed;

(vi) the completion of change of business registration of the Wuxi JV III;

(vii) the completion of filing the foreign investment information amendment report;

(viii) the representations, warranties and undertakings made by the Wuxi JV III, the Company and HHGrace Shanghai under the Transaction Documents remaining true, complete and valid in all material respects, and there being no material breach of such representations, warranties and undertakings or other obligations under the Transaction Documents; and

(ix) there being no legal proceeding, governmental order, decree or ruling that causes or may cause the transactions contemplated under the JV Shareholders Agreement and the JV Investment Agreement to be wholly or mainly prohibited, hindered, restricted or otherwise impeded.

For the avoidance of doubt, the Company's obligation to seek internal approval and Shareholders' approval under conditions (ii) and (iii) above and the requirement of all Transaction Documents being formally executed under condition (v) above in compliance with Chapters 14 and 14A of the Listing Rules must not be waived.

Second tranche

The payment of the second tranche by each of the JV Shareholders (being 20% of their respective investment commitment) is conditional upon the satisfaction and/or waiver in writing by the JV Shareholders (as applicable) of, amongst others, the following conditions:

(i) the representations, warranties and undertakings made by the Wuxi JV III, the Company and HHGrace Shanghai under the Transaction Documents remaining true, complete and valid in all material respects, and there being no material breach of such representations, warranties and undertakings or other obligations under the Transaction Documents; and

(ii) there being no legal proceeding, governmental order, decree or ruling that causes or may cause the transactions contemplated under the JV Shareholders Agreement and the JV Investment Agreement to be wholly or mainly prohibited, hindered, restricted or otherwise impeded.

Corporate Governance:	***Board of directors of the Wuxi JV III***
	The board of directors of the Wuxi JV III shall consist of seven (7) directors, of which four (4) will be nominated by the Company and/or HHGrace Shanghai, one (1) will be nominated by the Wuxi Municipal Entity II, one (1) will be nominated by Hua Xin Fund and one (1) will be the employee representative of the Wuxi JV III to be elected among the employees.
	Other customary shareholders' rights
	The operation and management of Wuxi JV III shall be subject to customary joint venture shareholders' rights as agreed by the parties.
Other terms:	***Right to Redemption***
	At the request of the CDB Entity, HHGrace Shanghai shall acquire the shares in the Wuxi JV III held by the CDB Entity at such price and proportion in accordance with the terms of the JV Shareholders Agreement.
	Pro rata investment returns
	The owner's equity of the Wuxi JV III (including retained earnings) shall be proportionally shared by the parties in accordance with their shareholdings in Wuxi JV III. Further, HHGrace Shanghai and the Wuxi JV III jointly undertake that the Wuxi JV III shall pay investment returns to the CDB Entity on a periodic basis in accordance with the terms of the JV Shareholders Agreement.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE JV INVESTMENT AGREEMENT AND THE JV SHAREHOLDERS AGREEMENT

(i) The JV Investment Agreement and the JV Shareholders Agreement

The Company entered in the JV Investment Agreement and the JV Shareholders Agreement with the objectives of (a) enhancing the Company's competitiveness and market position in the global and mainland China wafer foundry industry, and (b) strengthening the Company's research and development capabilities and enriching its process platform offerings so as to provide customers with more competitive wafer products that meet the needs of various emerging semiconductor end-use applications.

The Wuxi JV III will serve as the project company for the purpose of constructing and operating the third 12-inch wafer foundry production line. The JV Investment Agreement and the JV Shareholders Agreement set out the capital investment requirements for the conversion of Wuxi JV III into a joint venture.

(ii) View of the Directors

Having reviewed the terms of the JV Investment Agreement and the JV Shareholders Agreement, the Directors (including the independent non-executive Directors) are of the view that:

(a) the terms of the JV Investment Agreement and the JV Shareholders Agreement are fair and reasonable and on normal commercial terms or better; and

(b) the entering into of the JV Investment Agreement and the JV Shareholders Agreement is in the ordinary and usual course of business of the Company and is in the interest of the Company and its Shareholders as a whole.

4. FINANCIAL IMPACT OF THE TRANSACTION TO THE COMPANY

Upon completion of the transaction in accordance with the terms and conditions of the JV Investment Agreement and the JV Shareholders Agreement, the Wuxi JV III will continue to be a subsidiary of the Company and the financial information of the Wuxi JV III will continue to be consolidated into the accounts of the Group.

5. INFORMATION ABOUT THE PARTIES

The Company

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

HHGrace Shanghai

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

The Wuxi JV III

The Wuxi JV III was duly established on 30 October 2025 in the PRC and is currently an indirectly wholly-owned subsidiary of the Company. As a special purpose vehicle, as at the date of this announcement, it has no operating business.

Upon completion of the relevant filing(s) with the PRC authorities under the JV Investment Agreement and the JV Shareholders Agreement, the Wuxi JV III will be held as to approximately 51% by the Group, of which 25% will be held directly by the Company and 26% will be held indirectly by the Company through HHGrace Shanghai, its wholly-owned subsidiary.

Hua Xin Fund

Hua Xin Fund was established on 31 December 2024 in the PRC as a limited partnership between Sino IC Capital and China IC Fund III, with Sino IC Capital as its managing partner. Hua Xin Fund mainly invests via equity investment in the value chain of integrated circuit industry, primarily in integrated circuit chip manufacturing as well as chip designing, and semiconductor packaging and testing. As at the date of this announcement and based on the information provided by China IC Fund III, there are 19 fund investors in China IC Fund III, as set out below:

Fund investor	**Percentage of equity interest**
Ministry of Finance#*	17.44%
China Development Bank Capital Co., Ltd. (國開金融有限責任公司) #*	10.47%
Shanghai Guosheng (Group) Co., Ltd. (上海國盛(集團)有限公司) #*	8.72%
Bank of China Limited (中國銀行股份有限公司)	6.25%
China Construction Bank Corporation (中國建設銀行股份有限公司)	6.25%
Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司)	6.25%
Agricultural Bank of China Limited (中國農業銀行股份有限公司)	6.25%
Bank of Communications Co., Ltd. (交通銀行股份有限公司)	5.81%
Beijing E-Town International Investment & Development Co., Ltd. (北京亦莊國際投資發展有限公司)#	5.81%
Shenzhen Kunpeng Equity Investment Co., Ltd. (深圳市鯤鵬股權投資有限公司)	4.94%
Beijing Guoyi Hospital Co., Ltd. (北京國誼醫院有限公司) #	4.36%
State Development & Investment Corporation (國家開發投資集團有限公司)	2.91%
China Chengtong Holdings Group Ltd. (中國誠通控股集團有限公司)	2.91%
China National Tobacco Corporation (中國煙草總公司) #*	2.91%
Guangzhou Industrial Investment Fund of Funds Co., Ltd. (廣州產業投資母基金有限公司)	2.62%
Postal Savings Bank of China Co., Ltd. (中國郵政儲蓄銀行股份有限公司)	2.33%
China Resources Investment & Venture Capital (Tianjin) Co., Ltd. (華潤投資創業(天津)有限公司)	1.45%
Guangdong Yuecai Investment Holdings Co., Ltd. (廣東粵財投資控股有限公司)	1.16%
China Mobile Capital Holding Co., Ltd. (中移資本控股有限責任公司) #	1.16%
Total:	**100.00%**

Note:

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

* denotes an overlapping shareholder of China IC Fund and China IC Fund III.

Hua Xin Fund 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 Hua Xin Fund.

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, China IC Fund II, and Hua Xin Fund confirms that:

(i) there is no ultimate beneficial owner directly or indirectly controlling Hua Xin Fund;

(ii) China IC Fund and China IC Fund II are not regarded as subsidiaries of their single largest shareholder, Ministry of Finance;

(iii) none of the overlapping shareholders of China IC Fund and China IC Fund II can exert majority control over China IC Fund and China IC Fund II; and none of the overlapping shareholders of China IC Fund and China IC Fund II can exert majority control over each of China IC Fund and China IC Fund II; and

(iv) Sino IC Capital manages the investments of China IC Fund, China IC Fund II and Hua Xin Fund in accordance with the respective mandates it entered into with China IC Fund, China IC Fund II, and Hua Xin Fund separately. In particular, based on the information from Sino IC Capital, China IC Fund, China IC Fund II, and Hua Xin Fund have established independent investment policies and management processes, appointed independent committee members in their respective investment committees to ensure independence in investment decisions (where none of the overlapping members is able to exert decisive influence on any of the final investment decisions), and each has its separate accounts with independent financial accounting treatments.

On the above basis, the Company confirms that Hua Xin Fund is not an associate of China IC Fund or China IC Fund II under Chapter 14A of the Listing Rules.

The Wuxi Municipal Entity II

The Wuxi Municipal Entity II is a professional investment company jointly controlled by municipal and district-level state-owned enterprises. It principally engages in equity investment in major semiconductor projects in Wuxi. As at the date of this announcement, the Wuxi Municipal Entity II is held as to 45% by Wuxi Xintou Chuangrong Equity Investment Partnership (Limited Partnership) (無錫新投創融股權投資合夥企業(有限合夥)), 38.5% by Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司), and 16.5% by Wuxi Industrial Development Group Co., Ltd. (無錫產業發展集團有限公司). Based on the information provided by the Wuxi Municipal Entity II and to the best knowledge of the Company, as at the date of this announcement, the Wuxi Municipal Entity II is ultimately owned as to 52% by Wuxi State-owned Assets Supervision and Administration Commission (無錫市國有資產監督管理委員會).

As at the date of this Announcement, Wuxi Municipal Entity is interested in 20% of Wuxi JV II. As at the date of this Announcement, the Wuxi Municipal Entity was held as to 45% by Yunnan International Trust Co., Ltd.* (雲南國際信託有限公司), 19.5% by Wuxi Guolian Industrial Investment Group Co., Ltd.* (無錫國聯實業投資集團有限公司), 19.0% by Wuxi Guofa Asset Operation Co., Ltd.* (無錫市國發資本運營有限公司) and 16.5% by Wuxi Industry Development Group Co., Ltd.* (無錫產業發展集團有限公司).

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 the Wuxi Municipal Entity and the Wuxi Municipal Entity II confirms that:

(i) neither the Wuxi Municipal Entity nor the Wuxi Municipal Entity II is regarded as a subsidiary of the same ultimate beneficial owner, Wuxi State-owned Assets Supervision and Administration Commission (無錫市國有資產監督管理委員會);

(ii) none of the overlapping shareholders of the Wuxi Municipal Entity and the Wuxi Municipal Entity II (namely, Wuxi Guolian Industrial Investment Group Co., Ltd. (無錫國聯實業投資集團有限公司) and Wuxi Industrial Development Group Co., Ltd. (無錫產業發展集團有限公司)) can exert majority control over either the Wuxi Municipal Entity or the Wuxi Municipal Entity II, nor can they exert majority control over both entities; and

(iii) the Wuxi Municipal Entity and the Wuxi Municipal Entity II maintain independent investment policies and management processes, make investment decisions through their respective independent decision-making bodies (including their respective investment committees or boards), and each entity maintains separate financial accounts with independent financial accounting treatments. The appointment procedures for the boards of directors of the two entities are independent of each other, and none of the overlapping shareholders is able to control the composition of the board of directors of either entity. Furthermore, there are no mechanisms or factors by which the investment decisions of one entity could influence those of the other.

On the above basis, the Company confirms that the Wuxi Municipal Entity II is not an associate of the Wuxi Municipal Entity under Chapter 14A of the Listing Rules.

The CDB Entity

The CDB Entity is a company incorporated in the PRC on 29 September 2025 and wholly owned by the China Development Bank (國家開發銀行). It principally engages in implementation and operation of new policy-based financial instruments. Through equity investments and shareholders' loans, it provides supplementary capital to major projects, guides the participation of social capital, and focuses on supporting areas such as technological innovation, consumption expansion, and the stabilization of foreign trade.

6. IMPLICATIONS UNDER THE LISTING RULES

Formation of a joint venture constitutes a notifiable transaction under Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(f). As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the formation of the Wuxi JV III pursuant to (i) the JV Investment Agreement and (ii) the JV Shareholders Agreement exceeds 5% but all are below 25%, the aforesaid transaction constitutes a discloseable transaction subject to announcement under Chapter 14 of the Listing Rules.

Pursuant to Rules 14.73 and 14.74(1) of the Listing Rules, the Right to Redemption will be treated as a transaction and classified by reference to the percentage ratios. Given the Right to Redemption is not exercisable at the discretion of the Company or HHGrace Shanghai, the transaction will be classified as if the Right to Redemption had been exercised on the grant of the Right to Redemption. As all of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the grant of the Right to Redemption are less than 5%, the grant of the Right to Redemption does not constitute a discloseable transaction and shall not be subject to announcement under Chapter 14 of the Listing Rules.

7. EGM AND CIRCULAR

The circular, which sets out the details of the resolution to be proposed at the EGM, and a notice of the EGM will be published by the Company as soon as practicable.

8. BOARD MEETING

Given his role in Sino IC Capital, Mr. Guodong Sun has abstained from voting on the Board resolutions approving the JV Investment Agreement and the JV Shareholders Agreement. Save as disclosed above, no other Director has abstained from voting at the Board meeting approving the JV Investment Agreement and the JV Shareholders Agreement.

The JV Investment Agreement and the JV Shareholders Agreement are subject to the fulfilment (or waiver) of certain conditions precedent set out in the JV Investment Agreement and the JV Shareholders Agreement including Shareholder's approval and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

"Articles of Association"	the new articles of association of the Wuxi JV III to be adopted to reflect the terms as agreed under the JV Shareholders Agreement
"CDB Entity"	China Development Bank New Policy-Oriented Financial Instruments Co., Ltd.* (國開新型政策性金融工具有限公司), a company incorporated in the PRC on 29 September 2025 and wholly owned by the China Development Bank (國家開發銀行)

"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 III"	China Integrated Circuit Industry Investment Fund (Phase III) Co., Ltd.* (國家集成電路產業投資基金三期股份有限公司), a company established in the PRC on 24 May 2024
"Company"	Hua Hong Grace Semiconductor Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the same meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held to approve the JV Investment Agreement and the JV Shareholders Agreement (among other resolutions)
"Group"	the Company and its subsidiaries
"HHGrace Shanghai"	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a company incorporated in the PRC on 24 January 2013 and a wholly-owned subsidiary of the Company
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hua Xin Fund"	Hua Xin Ding Xin (Beijing) Equity Investment Fund (Limited Partnership)* (華芯鼎新(北京)股權投資基金(有限合夥)), a limited partnership established on 31 December 2024 between Sino IC Capital and China IC Fund III, with Sino IC Capital as the managing partner
"Independent Third Party(ies)"	person(s) who is not a connected person of the Company pursuant to Chapter 14A of the Listing Rules
"JV Investment Agreement"	the investment agreement dated 1 September 2026 entered into among the JV Shareholders and the Wuxi JV III, pursuant to which the JV Shareholders agreed to convert the Wuxi JV III into a joint venture and increase the registered capital of the Wuxi JV III from RMB6.68 million to US$4.17 billion

"JV Shareholders"	the Company, HHGrace Shanghai, the Wuxi Municipal Entity II, Hua Xin Fund and the CDB Entity
"JV Shareholders Agreement"	the shareholders agreement dated 1 September 2026 entered into among the JV Shareholders and the Wuxi JV III, pursuant to which, amongst others, the JV Shareholders agreed to invest a total of approximately US$4.17 billion in cash in the Wuxi JV III
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, but for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
"Right to Redemption"	The redemption right granted to the CDB Entity from HHGrace Shanghai, the details of which is stipulated under "The JV Shareholders Agreement – Other terms" of this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholders"	holder(s) of Shares
"Shares"	shares of the Company
"Sino IC Capital"	Sino IC Capital Co., Ltd.* (華芯投資管理有限責任公司), the fund manager of both China IC Fund and China IC Fund II and the managing partner of Hua Xin Fund. Its ultimate beneficial owner is China Development Bank Capital Co., Ltd. (國開金融有限責任公司), which is an Independent Third Party of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction Documents"	the transaction documents relating to the transactions contemplated under the JV Shareholders Agreement and the JV Investment Agreement, including the JV Shareholders Agreement, the JV Investment Agreement and the Articles of Association
"US$"	United States dollar, the lawful currency of the United States
"Wuxi JV II"	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 held as to approximately 21.90%, 29.10%, 20.00% and 29.00% by the Company, HHGrace Shanghai, Wuxi Municipal Entity and China IC Fund II, respectively

"Wuxi JV III"	Wuxi Huahong Grace Semiconductor (Phase III) Manufacturing Co., Ltd.* (無錫華虹宏力三期半導體有限公司), a company incorporated in the PRC on 30 October 2025 for the purpose of the Wuxi JV III Business, the registered capital of which is currently held as to 100% by HHGrace Shanghai and will, upon completion of the relevant filing(s) with the PRC authorities under the JV Shareholders Agreement and the JV Investment Agreement, be owned as to approximately 25% by the Company, 26% by HHGrace Shanghai, 20% by the Wuxi Municipal Entity II, 15% by Hua Xin Fund and 14% by the CDB Entity
"Wuxi JV III Business"	the manufacturing and sale of integrated circuits and integrated circuit chip, as well as providing design and services related to the aforesaid products, that the Wuxi JV III will engage in
"Wuxi Municipal Entity"	Wuxi Xi Hong Guo Xin Investment Co., Ltd.* (無錫錫虹國芯投資有限公司), a professional investment company jointly controlled by municipal and district-level state-owned enterprises
"Wuxi Municipal Entity II"	Wuxi Xi Hong Guo Xin (Phase II) Investment Co., Ltd.* (無錫錫虹國芯二期投資有限公司), a professional investment company jointly controlled by municipal and district-level state-owned enterprises
"%"	per cent

By order of the Board
Hua Hong Grace Semiconductor Limited
Dr. Peng Bai
Chairman and Executive Director

* *For identification purpose only*

Hong Kong, 1 September 2026

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

Executive Director:
Peng Bai *(Chairman and President)*

Non-executive Directors:
Jun Ye
Guodong Sun
Bo Chen
Chengyan Xiong

Independent Non-executive Directors:
Stephen Tso Tung Chang
Kwai Huen Wong, JP
Songlin Feng