
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



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)

PROPOSAL FOR ADOPTION OF NEW SHARE OPTION SCHEME, GRANT OF SHARE OPTIONS UNDER PROPOSED NEW SHARE OPTION SCHEME AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting ("EGM") of Hua Hong Grace Semiconductor Limited to be held on 22 October 2026 at 2:30 p.m., at No. 288, Halei Road, Pudong New Area, Shanghai, PRC, is set out on pages 27 to 30 of this circular. A form of proxy for use by the Shareholders at the EGM is also enclosed herein. 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 (evoting.vistra.com) using the username and password provided on the notification letter sent by the Company on 30 September 2026, 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 2:30 p.m. on 20 October 2026. 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.

30 September 2026

CONTENTS

DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	12
APPENDIX II SUMMARY OF THE PRINCIPAL TERMS OF THE 2026 OPTIONS	25
NOTICE OF EXTRAORDINARY GENERAL MEETING	27

DEFINITIONS

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

“2015 Options”	The Options granted by the Company on 4 September 2015 under the 2015 Share Option Scheme, the details of which are set out in the Company’s announcement dated 7 September 2015;
“2015 Share Option Scheme”	the share option scheme adopted by the Company at its extraordinary general meeting held on 1 September 2015, the principal terms of which are summarised in the Company’s circular dated 17 August 2015;
“2018 Options”	the Options granted by the Company on 24 December 2018 under the 2015 Share Option Scheme, the details of which are set out in the Company’s announcement dated 27 December 2018;
“2019 December Options”	the Options granted by the Company on 23 December 2019 under the 2015 Share Option Scheme, the details of which are set out in the Company’s announcement dated 23 December 2019;
“2019 March Options”	the Options granted by the Company on 29 March 2019 under the 2015 Share Option Scheme, the details of which are set out in the Company’s announcement dated 29 March 2019;
“2026 Options”	the grant of no more than 52,140,000 share options under the New Share Option Scheme proposed to be approved at the EGM pursuant to the requirements of the Rules;
“Adoption Date”	the date on which the New Share Option Scheme is adopted by a resolution of the Shareholders;
“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Auditors”	the auditors of the Company;
“Board”	the board of directors of the Company;
“Company”	Hua Hong Grace Semiconductor Limited, a company incorporated in Hong Kong with limited liability and the issued securities of which are listed on the Main Board of the Stock Exchange;

DEFINITIONS

“connected person”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company, including executive and non-executive director(s);
“EGM”	the extraordinary general meeting of the Company to be held on 22 October 2026 at 2:30 p.m.;
“Eligible Participant(s)”	any person who is eligible for the New Share Option Scheme as defined in “2. PROPOSAL FOR ADOPTION OF THE NEW SHARE OPTION SCHEME – (2) Adoption of the New Share Option Scheme – (ii) Eligible Participants” in this circular;
“Exercise Price”	the price per Share at which the Shares of the Company are to be subscribed pursuant to the exercise of Options by the Grantees;
“Grant Date”	the date of a grant of Options to the Eligible Participants, which must be a trading day;
“Grant Notice”	a notice for a grant of Options to the Eligible Participants pursuant to the New Share Option Scheme;
“Grantee(s)”	a Participant who accepts the Options to be granted pursuant to the terms of the New Share Option Scheme, or a person who inherits the Options due to the death of an initial Grantee, if permitted;
“Group”	the Company and its corresponding subsidiaries, and a Group member refers to one of these companies;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Non-Executive Director”	an independent non-executive director of the Company;
“Latest Practicable Date”	18 September 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

DEFINITIONS

“New Share Option Scheme”	the “New Share Option Scheme of Hua Hong Grace Semiconductor Limited” proposed to be adopted at the EGM and the subsequent schemes amended based on it;
“New Share Option Scheme Limit”	the maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other schemes of the Company;
“Option(s)”	option(s) to subscribe for Shares pursuant to the terms of the New Share Option Scheme;
“Option Period”	the period during which the Grantees may exercise Options, which is determined and notified by the Board;
“Rules”	Trial Measures for Implementing the Equity Incentive System by State-Controlled Listed Companies (Overseas)* (國有控股上市公司(境外)實施股權激勵試行辦法) as promulgated by the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares of the Company which are listed on the Main Board of the Hong Kong Stock Exchange;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	has the meaning ascribed thereto in the Listing Rules;
“trading day(s)”	a day on which the Stock Exchange is open for trading equity securities;
“\$” or “HK\$”	Hong Kong dollars; and
“%”	per cent.

* For identification purposes



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)

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

Registered office:

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

Principal place of business in PRC:

No. 288 Halei Road
Pudong New Area
Shanghai, PRC
Postcode: 201203

No. 30, No. 30-1, No. 30-2
Xinzhou Road, Xinwu District
Wuxi, Jiangsu, PRC
Postcode: 214028

30 September 2026

To the Shareholders

Dear Sir or Madam,

**PROPOSAL FOR ADOPTION OF NEW SHARE OPTION SCHEME
GRANT OF SHARE OPTIONS UNDER PROPOSED
NEW SHARE OPTION SCHEME
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to (i) give you notice of the EGM and (ii) provide you with information relating to the proposed adoption of the New Share Option Scheme and grant of Share Options under the proposed New Share Option Scheme.

LETTER FROM THE BOARD

2. PROPOSAL FOR ADOPTION OF THE NEW SHARE OPTION SCHEME

(1) The 2015 Share Option Scheme

The 2015 Share Option Scheme was adopted by the Company pursuant to resolutions of the Shareholders passed on 1 September 2015 and expired on 31 August 2022. No further Options can be granted thereunder after the expiry date.

As at the date of this circular, the 2015 Options, the 2018 Options and the 2019 March Options had lapsed or otherwise ceased to be exercisable. 67,000 options remain outstanding under the 2019 December Options, which will expire on 22 December 2026.

(2) Adoption of the New Share Option Scheme

In view of the expiry of the 2015 Share Option Scheme and the upcoming expiry of the 2019 December Options, the Company considers that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board proposes to seek approval from the Shareholders by way of an ordinary resolution at the EGM for the adoption of the New Share Option Scheme in accordance with Chapter 17 of the Listing Rules.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. A copy of the New Share Option Scheme is available for inspection at the registered office of the Company at Room 2212, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong during normal business hours from the date hereof up to and including the date of the EGM.

(i) Purposes

The purpose of the New Share Option Scheme is to attract, retain and provide incentives to the Eligible Participants, to provide them with the opportunity to obtain Shares of the Company and to link their interests closely to the operating results and share performance of the Company with the view to increasing the value of the Company.

The New Share Option Scheme contains provisions relating to performance targets that need to be achieved before an Option can be exercised and a minimum period for which an Option must be held before the Option can be exercised. The Directors believe that such conditions will serve to incentivize Eligible Participants to use their best endeavors in assisting the growth and development of the Group, as well as to provide the appropriate incentives for Eligible Participants to remain as eligible participants, thereby enabling the Group to continue to benefit from the services and contributions of the Eligible Participants.

LETTER FROM THE BOARD

The New Share Option Scheme requires Options to be held for a minimum vesting period of two (2) years from the Grant Date before they may vest or be exercised, unless a shorter vesting period is specified in the relevant Grant Notice and is permitted under the Listing Rules. Subject to satisfaction of the applicable vesting conditions, Options will vest in tranches in the proportions and on the dates specified in the relevant Grant Notice. The performance conditions may comprise corporate and individual measures. Corporate measures include revenue- and profit-related indicators, which will be assessed against the target levels specified in the relevant Grant Notice and, where applicable, by reference to the Company's historical performance and peer-company benchmarks. Individual performance is assessed under the Company's performance appraisal system for the financial year preceding the relevant vesting date, using internal grading with coefficients that may range from 100% to 0% to determine the vesting proportion for the relevant tranche. For the 2026 Options, the minimum holding period and the vesting schedule are described under "Grant of the 2026 Options" below and in Appendix II.

(ii) Eligible Participants

Eligible Participants of the New Share Option Scheme shall be limited to employees of the Group, including (1) existing executive and non-executive Directors of any member of the Group; (2) senior management and key managerial and technical personnel of the Group having a direct impact on the results of operations and sustainable development of any member of the Group; and (3) other key employees of the Group who have made, or are expected to make, significant contributions to the business development, operational performance or long-term growth of any member of the Group; subject always to any limits and restrictions specified in the New Share Option Scheme, but shall not include any Independent Non-Executive Directors;

(iii) Scheme Mandate Limit

As of the Latest Practicable Date, there were 1,928,494,794 Shares in issue. Assuming there is no change to the issued share capital of the Company in the period commencing from the Latest Practicable Date to the date of the EGM, the total number of Shares that may be issued under the New Share Option Scheme and any other schemes of the Company will be 192,849,479 Shares, representing approximately 10% of the issued share capital of the Company as at the date of the EGM.

(iv) Duration

The New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date.

LETTER FROM THE BOARD

(v) *Vesting Period*

No Options granted under the New Share Option Scheme shall vest until the expiry of a two (2)-year vesting period from the date of grant. Subject to the satisfaction of the applicable vesting conditions, the Options shall vest in tranches.

Any vested but unexercised Options, and any Options which have not vested, shall lapse and cease to be exercisable upon the seventh anniversary of the date of grant (or such earlier date as may be specified in accordance with the terms of the New Share Option Scheme).

(vi) *Performance Targets and Clawback Mechanism*

The grant and vesting of Options under the New Share Option Scheme shall be subject to applicable laws and regulations and shall be conditional upon the satisfaction of the performance targets of the Company and the individual performance targets of the relevant Grantees. Corporate performance measures will include revenue- and profit-related indicators. For each vesting tranche, the relevant target levels for such corporate measures will be assessed by reference to the Company's audited results for the financial year preceding the relevant vesting date and, where applicable, by reference to the Company's historical performance and peer-company benchmarks. Each Grantee must also pass the individual performance assessment conducted under the Company's performance appraisal system for the financial year preceding the Grant. Vesting proportions will be determined by reference to internal performance grading with coefficients that may range from 100% to 0%. Any portion of a tranche that does not vest because the applicable corporate or individual performance conditions are not satisfied will be forfeited.

The Board may, in its absolute discretion, determine that any unvested or unexercised Options granted to a Grantee shall lapse, or be clawed back in whole or in part and upon such clawback, lapse if the Grantee commits misconduct, breaches material employment, service, confidentiality, non-competition or non-solicitation obligations, discloses trade secrets or confidential information, competes with the Group, causes material loss or reputational damage to the Group, is convicted of a criminal offence, breaches applicable laws or internal policies, or ceases to be an Eligible Participant in circumstances specified in the New Share Option Scheme or the relevant Grant Notice.

(vii) *Subscription Price*

The subscription price for the Shares under the New Share Option Scheme shall be a price solely determined by the Board and notified to a grantee and shall be at least the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is granted; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date on which an Option is granted; and (iii) the face value of the Share.

LETTER FROM THE BOARD

(viii) Other information

The Company does not currently intend to appoint a trustee for the New Share Option Scheme because the Scheme involves the grant of Options directly to Eligible Participants and the issue of new Shares by the Company upon exercise of vested Options. The Board may consider engaging an independent professional trustee or establishing a trust or similar arrangement in the future if this is considered necessary or desirable for the administration of the Scheme or the holding or delivery of Shares for the benefit of Grantees, subject to the terms of the Scheme, applicable laws and regulations and the Listing Rules. If a trustee is appointed, none of the Directors will be a trustee of, or have any direct or indirect interest in the trustee of, the New Share Option Scheme.

As of the Latest Practicable Date, the Company has no treasury shares and does not intend to use treasury shares to satisfy any grant under the New Share Option Scheme.

Save for the expired 2015 Share Option Scheme and the 67,000 outstanding 2019 December Options disclosed above, the Company has no other share option scheme, share award scheme or other share incentive scheme, and no options or awards are outstanding under any other such scheme.

(3) Conditions of the Adoption of the New Share Option Scheme

The New Share Option Scheme shall take effect conditional upon:

- (A) the approval of the New Share Option Scheme by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government;
- (B) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders; and
- (C) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of the Options in accordance with the terms of the New Share Option Scheme.

(4) Application for Listing

Application will be made to the Stock Exchange for approval of the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of any Options granted under the New Share Option Scheme.

LETTER FROM THE BOARD

3. GRANT OF SHARE OPTIONS UNDER PROPOSED NEW SHARE OPTION SCHEME

(1) Grant of the 2026 Options

The Company intends to make grants of the 2026 Options within 12 months of the EGM, subject to the adoption of the New Share Option Scheme, receipt of all necessary approvals and finalisation of the terms of the relevant grants. Any such grant will be made and announced in accordance with Chapter 17 of the Listing Rules. Subject to the adoption of the New Share Option Scheme, the Directors propose to grant the 2026 Options under the New Share Option Scheme to certain employees of the Group to subscribe for up to 52,140,000 Shares in 2026. Pursuant to the requirements of the Rules, the proposal shall be put to the Shareholders for approval at the EGM.

The 2026 Options are expected to be subject to a minimum vesting period of three (3) years from the Grant Date. No 2026 Option may vest or be exercised before the third anniversary of the Grant Date. The performance conditions and the assessment method are described under “Performance Targets and Clawback Mechanism” above and in Appendix II.

As of the Latest Practicable Date, there were 1,928,494,794 Shares in issue. Assuming there is no change to the issued share capital of the Company in the period commencing from the Latest Practicable Date to the date of the EGM, the number of Shares that may be issued pursuant to the 2026 Options will not exceed 52,140,000 Shares, representing approximately 2.71% of the issued share capital of the Company as at the date of the EGM.

Assuming that the 2026 Options are granted in full, the 2026 Options will be within the limit under paragraph 7(vi) of the New Share Option Scheme that the number of Options granted for the first time shall not exceed 3% of the total share capital of the Company. Following the grant of the 2026 Options, 140,709,479 Shares, representing approximately 7.29% of the issued share capital of the Company as at the date of the EGM, will remain available for future grants under the Scheme Mandate Limit.

(2) Conditions of the Approval of the Grant of the 2026 Options

The grant of the 2026 Options under the New Share Option Scheme is not subject to shareholders' approval under Chapter 17 of the Listing Rules. However, under the Rules, the grant of equity incentive must be approved by shareholders of the relevant company before they could take effect. The grant of the 2026 Options are subject to the requirements of the Rules because the Company constitutes a state-controlled overseas listed company. Accordingly, the 2026 Options shall only take effect subject to and conditional upon the passing of an ordinary resolution to approve the grant of the 2026 Options by the Shareholders.

LETTER FROM THE BOARD

4. EGM

Approval of the Shareholders will be sought at the EGM for, among others, (i) the adoption of the New Share Option Scheme; and (ii) the grant of the 2026 Options under the New Share Option Scheme. A notice of the EGM is set out from pages 27 to 30 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 No. 288, Halei Road, Pudong New Area, Shanghai, PRC; 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 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-hour 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 2:30 p.m. on 20 October 2026. 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 16 October 2026 to 22 October 2026 (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 15 October 2026. All persons who are registered holders of the Shares on 22 October 2026, the record date for the EGM, will be entitled to attend and vote at the EGM.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the adoption of the New Share Option Scheme and accordingly, no Shareholder is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

5. VOTING BY WAY OF POLL

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.

6. 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.

7. RECOMMENDATION

The Directors consider that the abovementioned resolutions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolutions to be proposed at the EGM.

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

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the EGM:

1. PURPOSE

The purpose of the New Share Option Scheme is to attract, retain and provide incentives to the Eligible Participants, to provide them with the opportunity to obtain Shares of the Company and to link their interests closely to the operating results and share performance of the Company with the view to increasing the value of the Company.

2. WHO MAY JOIN

The Eligible Participants of the New Share Option Scheme shall be limited to employees of the Group, including (1) existing executive and non-executive Directors of any member of the Group; (2) senior management and key managerial and technical personnel of the Group having a direct impact on the results of operations and sustainable development of any member of the Group; and (3) other key employees of the Group who have made, or are expected to make, significant contributions to the business development, operational performance or long-term growth of any member of the Group, subject always to any limits and restrictions specified in the New Share Option Scheme, but shall not include any Independent Non-Executive Directors.

3. ACCEPTANCE OF OPTION OFFER

Any Option offer will be deemed to have been accepted and the number of Options specified in the Grant Notice will be deemed to have been granted if a Grantee gives his/her signature on such Grant Notice within the requisite 28 days period. Upon acceptance of the grant of Option, the Grantee undertakes that he/she will, at the request of the Company, pay an amount which is equivalent to the value of HK\$1.00 (to be determined on the date when the grant of Option is accepted) to the Company as a consideration for acceptance of the grant of Option.

If any Eligible Participants do not accept the grant of Option within the requisite 28 days period, it will be deemed that the grant of Option has not been accepted and will be revoked.

4. GRANT AND TERMS OF OPTIONS

- (i) Notwithstanding any other provision in the New Share Option Scheme, the grant of the Options under the New Share Option Scheme is subject to the approval of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

- (ii) Subject to paragraph 4(i) above, and subject to the terms of the New Share Option Scheme, the Board shall in its absolute discretion be entitled to grant Options to any Eligible Participants at the Exercise Price at any time within 10 years after the Adoption Date. The Board may determine the Exercise Price and the number of Shares to be subscribed (which must be an integral multiple of a board lot for dealing in Shares) in accordance with the terms of the New Share Option Scheme.
- (iii) The grant and vesting of the Options shall be subject to the attainment of the annual performance targets as established by the Board for the relevant fiscal year.
- (iv) Without prejudice to the terms of the New Share Option Scheme and Chapter 17 of the Listing Rules, the Board shall have the right to impose any additional conditions and restrictions as it thinks appropriate on the grant of Options.
- (v) Any terms and conditions under which the Options are granted as may be determined by the Board (subject to compliance with the requirements of the Listing Rules) shall be specified in the Grant Notice, which terms and conditions may include, amongst others, any additional requirements imposed by the Board on any individual or all Grantees of the Options. In any event, if these requirements are for individuals only and are not advantageous to any Eligible Participants, the Board may impose further restrictions on the Vesting Period and the requirement of performance according to its resolutions without the approval of the Shareholders.

5. EXERCISE OF OPTIONS AND EXERCISE PRICE

- (i) An Eligible Participant may accept a lesser amount of Options as specified on the Grant Notice provided that the amount accepted shall not be less than a board lot for dealing in Shares or an integral multiple thereof.

An Option may be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) at any time during the Option Period or in the circumstances set out in paragraphs 11 to 14 below by the Grantee giving notice in writing to the Company stating the fact that the Option will be exercised, specifying the number of Shares to be subscribed, and making payments to the Company for the subscription together with any taxes (if appropriate) and performing all other matters reasonably required by the Company. Within 28 days after receipt of the notice for exercise of the Option and the subscription monies and, where appropriate, receipt of the Auditors' certificate in the circumstances set out in paragraph 15 below, the Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.

- (ii) The number of Options to be exercised shall be subject to any additional conditions imposed by the Board in accordance with the requirements described in paragraph 4 above, and the Board shall have final interpretation to such conditions which shall be binding on all the Eligible Participants, unless otherwise required. The effectiveness and exercise of an Option is related to the performance of the Company and of individuals. The Board will determine performance targets concerned and set out the same in the Grant Notice.
- (iii) The holder of an Option granted under the New Share Option Scheme shall have no voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the options, except as provided otherwise pursuant to applicable laws, regulations or the articles of association of the Company in effect from time to time.

For the avoidance of doubt, no dividend will be received or held by any trustee in respect of an Option before exercise because the Scheme does not currently involve a trustee. A Grantee will become entitled to dividends only after the relevant Option has been exercised, the relevant Shares have been allotted and issued, and the Grantee has been registered as a Shareholder. Such Shares will rank *pari passu* with the Shares then in issue, including as to dividends and other distributions paid or made on or after the date of allotment, but excluding any dividend or distribution declared or resolved to be paid or made before that date. If a trustee is appointed in the future and holds Shares for a Grantee, the treatment of dividends received on those Shares will be governed by the relevant trust arrangements and disclosed where required under the Listing Rules.

- (iv) The Exercise Price will be determined by the Board at its absolute discretion and notified to a Grantee. The minimum Exercise Price shall not be less than the higher of:
 - (A) the closing price of the Shares on the Stock Exchange on the Grant Date in respect of such Options; and
 - (B) the average closing price of the Shares on the Stock Exchange for the five consecutive trading days immediately preceding the Grant Date in respect of such Options.

6. TIME OF EXERCISE OF OPTIONS

Without prejudice to the Board's discretion to impose additional conditions on the exercise of Options set out in paragraph 4 above, the Options shall be effective after at least two years from the Grant Date or such later date as set out in the relevant Grant Notice, unless such Options take effect in advance in accordance with the provisions set out in paragraph 13 below. The proportion of the coming into effect of the Options shall be set out in the Grant Notice.

Subject to the provisions in paragraphs 11 to 14 below, an Option under the New Share Option Scheme which is vested and has not lapsed may be exercised at any time during such period notified by the Board as not exceeding 7 years from the Grant Date. The exercise of Options may also be subject to any conditions imposed by the Board at the time of offer as set out in paragraph 4 above.

7. MAXIMUM NUMBER OF SHARES SUBJECT TO THE NEW SHARE OPTION SCHEME

- (i) Subject to the limits referred to in paragraphs 7(ii), 7(iii) and 7(iv), the total number of Shares which may be issued in respect of all Options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the relevant class of shares of the Company (excluding treasury shares (if any)), as at the Adoption Date or the date of approval of the refreshed Scheme Mandate Limit.
- (ii) Options lapsed in accordance with the terms of the relevant share scheme(s) shall not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit. Options cancelled and replaced by a new grant to the same Grantee shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit, unless otherwise permitted under the Listing Rules.
- (iii) The Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit after three years from the Adoption Date or the date of Shareholders' approval for the last refreshment. Any refreshment of the Scheme Mandate Limit within three years from the Adoption Date or the date of Shareholders' approval for the last refreshment shall be subject to independent Shareholders' approval in accordance with Rule 17.03C of the Listing Rules. Any directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution at the general meeting to the extent required by the Listing Rules. The total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue (excluding treasury shares (if any)) as at the date of approval of the refreshed scheme mandate. The Company must send a circular to its Shareholders containing the number of options and awards that were already granted under the existing scheme mandate limit, and the reason for the "refreshment".

- (iv) The Company may seek separate Shareholders' approval in general meeting for granting Options beyond the Scheme Mandate Limit, provided that such Options shall be granted only to Eligible Participants specifically identified by the Company before such approval is sought. The circular to Shareholders shall contain a description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options, an explanation as to how the terms of the Options serve such purpose, and such other information as required under the Listing Rules. The number and terms, including the Subscription Price, of the Options to be granted must be fixed before Shareholders' approval, and the date of the Board meeting for proposing such grant shall be taken as the Grant Date for the purpose of calculating the Subscription Price.
- (v) The limit of the maximum number of Shares referred to in this paragraph 7 will be adjusted in accordance with the paragraph 15, in the event of any alteration in the capital structure of the Company whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as a consideration in respect of a transaction to which the Company is a party.
- (vi) The number of Options granted for the first time shall not exceed 3% of the total share capital of the Company.

8. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT

Where any grant of Options to an Eligible Participant would result in the Shares issued and to be issued in respect of all options and awards granted to such Eligible Participant, excluding any options and awards lapsed in accordance with the terms of the relevant schemes, in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, excluding treasury shares (if any), such further grant must be separately approved by Shareholders in general meeting. The relevant Eligible Participant and his/her close associates, or associates if the Eligible Participant is a connected person, shall abstain from voting. The circular to Shareholders shall disclose the identity of the Eligible Participant, the number and terms of Options to be granted and options or awards previously granted to such Eligible Participant in the relevant 12-month period, the purpose of the grant, an explanation as to how the terms of the grant serve such purpose, and such other information as required under the Listing Rules. The number and terms (including the exercise price) of the Options to be granted to such Eligible Participant must be fixed before shareholders' approval, and the date of the Board meeting for proposing such further Grant should be taken as the Grant Date for the purpose of calculating the Subscription Price.

No Option shall be granted to any person who holds over 5% of Shares which carry voting right on the Grant Date unless it is approved by shareholders in general meetings. The Company must send a circular to the shareholders in accordance with Chapter 17 of the Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting.

9. RESTRICTIONS ON GRANT OF OPTIONS TO DIRECTORS, CHIEF EXECUTIVES OR SUBSTANTIAL SHAREHOLDERS ETC.

Each grant of Options to a Participant who is a Director, chief executive or Substantial Shareholder of the Company, or any of their respective associates, under the New Share Option Scheme must be approved by the Independent Non-Executive Directors of the Company.

Where any grant of Options to a Substantial Shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options granted (excluding any options lapsed in accordance with the terms of the relevant schemes) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Options by the Board must be approved by the Shareholders in general meeting (the vote on such approval to be taken on a poll). The Grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour of the proposed Grant at such general meeting.

A Shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the Options to be granted and containing the recommendation from the Independent Non-Executive Directors as to voting and any other information as required under the Listing Rules.

Any change in the terms of Options granted to Substantial Shareholders, or any of their respective associates must be approved by the Shareholders in general meeting in the manner detailed above.

10. NON-TRANSFERABILITY OF OPTIONS

Except for the transmission of an Option in accordance with paragraph 12 below, no Grantee has right to sell, transfer, guarantee, charge, pledge, encumber or create any interest in favor of any third party over or in relation to any Option, or enter into any agreement in respect of any of the foregoing, or procure or impair any interest of any third party in direct or indirect connection with an Option. Any breach of the foregoing by the Grantee shall result in the cancellation of the relevant Option(s) in accordance with paragraph 19 below.

11. RIGHTS ON CEASING EMPLOYMENT

- (i) In the event of the Grantee ceasing to be an employee of a Group member for the reason of retirement (unless the Company confirms that the Grantee will be employed by a competitor of the Group upon ceasing, where the Options granted and not exercised will forthwith lapse), termination of the employment contract for reasons not attributable to the Grantee, or transfer of the Grantee between the Huahong Group and its subsidiaries, the Options that have been effective shall be exercised within 3 months from the date of departure, and after such period of 3

months, the Options that have not been exercised will lapse. The Options that have not been effective on the date of departure will forthwith lapse automatically unless otherwise required by the Board. For the avoidance of doubt, the circumstances described in this paragraph do not constitute circumstances in which a vesting period shorter than 12 months is permitted under the New Share Option Scheme.

- (ii) In the event of the Grantee ceasing to be an employee for the reason of any material misconduct including, without limitation, (a) being materially negligent or derelict in his/her duties; (b) any acts in breach of relevant local laws or regulations or articles of association of the Company; and (c) the Group member has sufficient evidence to prove that the holder of Options has during his/her employment accepted or asked for bribes, committed graft and embezzlement, or has disclosed operational and technical secrets of the Company, has engaged in connected transactions, which damage the interests and reputation of the Group, or has acted otherwise that would have material adverse effects on the image of the Group and result in losses to the Group, all Options not exercised (including Options that have been effective but have not yet been exercised, and the Options which have not been effective) shall lapse automatically.
- (iii) In the event of the Grantee ceasing to be an employee for any reasons other than those set out above in this paragraph 11, all Options which have not been exercised A (including Options which are effective but have not been exercised, and Options which have not been effective) will forthwith lapse automatically. Any Options that have been granted but have not yet been effective on the date of termination of employment shall forthwith lapse. The date of termination of employment shall be the last actual working day of the Grantee with the Group member, whether salary is paid or not.

12. RIGHTS ON DEATH OR LOSS OF CAPACITY

If a Grantee ceases to be a Participant by reason of his/her death or loss of capacity during his/her employment with a Group member and none of the events which would be a ground for termination of his/her employment specified in the New Share Option Scheme and paragraph 11 above has occurred, the legal personal representative(s) of the Grantee may exercise any Option that has been effective within a period of 3 months from the date on which legal personal representative(s) of the Grantee is granted the authorization in the case of death of the Grantee, or from the date of loss of capacity of the Grantee. The Board shall have the discretion to decide whether any Option that has not been effective on the date of death or loss of capacity of the Grantee can be exercised by the legal personal representative(s) of such Grantee and the time period for exercise. All Options not exercised shall lapse upon the expiry of the 3-month period or such other period as the Board may determine. For the avoidance of doubt, the circumstances described in this paragraph do not constitute circumstances in which a vesting period shorter than 12 months is permitted under the New Share Option Scheme.

13. RIGHTS ON A CHANGE OF CONTROL

A “**Change of Control**” shall mean the occurrence of any of the following:

- (A) If any individuals, units or bodies purchase or acquire the following in excess of the proportion of general offer as required under the Codes on Takeovers and Mergers and Share Buy-backs by the Securities and Futures Commission of Hong Kong, or other laws and regulations:

- (i) issued ordinary Shares; or
- (ii) consolidated voting rights of all the issued marketable securities carrying voting rights (where appropriate).

except in the event that (i) the Company is the purchaser; or (ii) the purchase or acquisition is pursuant to an employee benefit scheme (or a related trust fund) established and monitored by the Company;

- (B) upon approval by a general meeting of the Company, the Company participates as a party in restructuring of, merger and acquisition with other companies; or

- (C) the Company is under liquidation and reorganization.

In the event of any Change of Control, all the Options that have been granted, vested for no less than 12 months, but have not yet been effective may become immediately effective and may start to be exercised. The valid period for the exercise is within 12 months commencing from the date on which the Change of Control occurs. All the Options that have been effective but have not yet been exercised may be exercised within 12 months commencing from the date on which the Change of Control occurs. After such period of 12 months, all Options will forthwith lapse.

14. RIGHTS ON BANKRUPTCY OR INSOLVENCY OF THE GRANTEE

Any Options not exercised (including Options that have been effective but have not yet been exercised, and the Options which have not been effective) on the date on which the Grantee becomes bankrupt, insolvent, or reaches a disposition plan or settlement with a creditor shall forthwith lapse automatically.

15. REORGANISATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company, whether by way of capitalization, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulations (other than an issue of Shares as a consideration in respect of a transaction to which the Company is a party), the following adjustments (if any) in respect of the Options granted shall be made to:

- (A) the number of Shares represented by the Options (insofar as they are unexercised);
- (B) the Exercise Price;
- (C) the terms of the Options,

provided that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustments shall remain as nearly as possible but shall not be greater than that to which he/she was entitled before such adjustments, but no such adjustments shall be made to the effect of which would be to increase the proportion of the issued share capital of the Company for which a Grantee would have been entitled to subscribe had the Grantee exercised all the Options immediately prior to such adjustments.

Save for capitalization, an independent financial advisor or the Auditors must confirm in writing to the Board whether the adjustments are fair and reasonable and whether they have satisfied the requirements hereof. The costs of the independent financial advisors and Auditors shall be borne by the Company. Any adjustment shall comply with Rule 17.03(13) of the Listing Rules and any supplementary guidance, interpretation or requirement issued by the Stock Exchange from time to time.

16. PERFORMANCE TARGETS AND CLAWBACK

The vesting and/or exercise of any Option may be subject to performance targets, which may include corporate, business unit, departmental and/or individual performance targets as determined by the Board and specified in the Grant Notice. The Board shall determine the method for assessing whether such performance targets have been satisfied. Corporate measures may include revenue- and profit-related indicators. The applicable target levels will be assessed by reference to the Company's audited results for the financial year preceding the relevant Grant or vesting date and, where applicable, against the Company's average performance for the preceding three years and the average performance of selected peer companies for the same period. Individual performance will be assessed under the Company's performance appraisal system for the financial year preceding the relevant Grant or vesting date, using internal grading with coefficients that may range from 100% to 0% to determine vesting of the relevant tranche. Any portion that fails to vest because the applicable conditions are not satisfied will be forfeited. If no performance target is imposed on a particular grant of Options, the Grant Notice and/or relevant announcement shall include a negative statement to that effect and, where required by the Listing Rules, the reasons for the Board's view that such grant without performance targets is appropriate and aligns with the purpose of the Scheme.

The Board may, in its absolute discretion, determine that any unvested or unexercised Options granted to a Grantee shall lapse or be clawed back in whole or in part, and upon such clawback, lapse if the Grantee commits misconduct, breaches material employment, service, confidentiality, non-competition or non-solicitation obligations, discloses trade secrets or confidential information, competes with the Group, causes material loss or reputational damage to the Group, is convicted of a criminal offence, breaches applicable laws or internal policies, or ceases to be an Eligible Participant in circumstances specified in the New Share Option Scheme or the relevant Grant Notice.

17. LAPSE OF OPTIONS

An Option will lapse and shall not be exercised (including the Options that have been effective but have not yet been exercised, and the Options which have not been effective) on the earliest of:

- (A) the last day of the Option Period; or
- (B) the last day of any of the other periods referred to in paragraphs 11, 12, 13 and 14 above; or
- (C) the date on which a Grantee ceases to be an employee by reason of the termination of his/her employment or engagement on one or more grounds of or has been accused of any crime involving his/her integrity or honesty or (if so determined by the Board) on any other grounds on which an employer would be entitled to summarily terminate his/her employment at customary laws or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Group member. A resolution of the Board or the board of directors of the relevant Group member to the effect that the employment or appointment of a Grantee has or has not been terminated under the circumstances set out in this sub-paragraph shall be conclusive; or
- (D) the date on which the Board confirms that the Grantee has been negligent or derelict in his/her duties, in breach of laws and regulations or policies of the Company, or the Grantee has during his/her employment committed graft and embezzlement, or has disclosed operational and technical secrets of the Group member, has engaged in connected transactions, which damage the interests and reputation of the Group member, or has acted otherwise that would have material adverse effects on the image and interests of the Group member.

18. RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will be subject to the provisions of the articles of association for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date of allotment, including participating in dividends and other distributions paid or made on or after the date of allotment other than any dividends or other distributions declared or recommended or resolved to be paid or made prior to the date of allotment. A Share issued upon the exercise of an Option shall not carry voting rights prior to the Grantee being registered as a shareholder of the Company.

19. CANCELLATION OF OPTIONS

Any Option granted but not exercised may be cancelled: (i) with the consent of the relevant Grantee and with the approval of the Board; or (ii) by the Company upon a breach by the Grantee of paragraph 10 above, in which case the relevant Option(s), and any other Option(s) held by such Grantee to the extent not already exercised, may be cancelled. For the purpose of calculating the Scheme Mandate Limit, Options cancelled will be regarded as utilised, whereas Options which lapse in accordance with the terms of the New Share Option Scheme will not be regarded as utilised.

Where the Company cancels any Options granted to a Grantee and makes a new grant to the same Grantee, such new grant may only be made under the New Share Option Scheme to the extent that there is available Scheme Mandate Limit approved by the Shareholders in accordance with Rule 17.03B or Rule 17.03C of the Listing Rules. The Options cancelled will be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

20. AMENDMENTS TO THE NEW SHARE OPTION SCHEME AND TERMS OF OPTIONS

The New Share Option Scheme may be altered by the Board by way of resolutions (subject to conformance with the New Share Option Scheme and the Listing Rules), provided that:

- (A) any alterations to the advantage of Eligible Participants in relation to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules; or
- (B) any alterations to the terms of the New Share Option Scheme which are of a material nature or any changes to the terms of the Options granted (save where the alterations take effect automatically under the existing terms of the New Share Option Scheme) shall be subject to the approval of Shareholders in general meeting with the Grantees to whom or for whose benefit the shares will be issued under the new scheme and their associates abstaining from voting. After any alterations, the amended terms of the New Share Option Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules.

The Board may, without the approval of the Shareholders in general meeting: (i) amend the New Share Option Scheme to make amendments of a minor nature to reflect changes in applicable laws or regulations or to facilitate the administration of the New Share Option Scheme, provided that such amendments are not material and are not to the advantage of Eligible Participants in respect of the matters set out in Rule 17.03 of the Listing Rules; (ii) impose such additional conditions or restrictions on the grant, vesting or exercise of any Option as the Board considers appropriate, including a longer vesting period or more stringent performance targets, provided that such conditions or restrictions are not to the advantage of Eligible Participants; (iii) make adjustments to the Exercise Price and/or the number of Shares subject to outstanding Options upon an alteration in the capital structure of the Company in accordance with paragraph 15; and (iv) make any amendment which takes effect automatically under the existing terms of the New Share Option Scheme. Any amendment made by the Board pursuant to the foregoing must comply with Chapter 17 of the Listing Rules.

Any change to the terms of Options granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders, as the case may be, if the initial grant of such Options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. Any alteration to the terms and conditions of the New Share Option Scheme or the Options shall comply with Chapter 17 of the Listing Rules. Any change to the authority of the Board in relation to any amendment of the New Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

21. TERMINATION OF THE NEW SHARE OPTION SCHEME

The Board may, by resolution, terminate the operation of the New Share Option Scheme at any time and in such event no further Options shall be granted under the New Share Option Scheme. All Options granted prior to the termination of the New Share Option Scheme and in compliance with the requirements of Chapter 17 of the Listing Rules shall continue to be valid and exercisable and the provisions of the New Share Option Scheme shall remain in full force and effect in relation to any such Options.

22. TERM OF THE NEW SHARE OPTION SCHEME

Subject to the Board exercising its right under the New Share Option Scheme to terminate the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted. All Options granted prior to the expiration of the New Share Option Scheme and in compliance with the requirements of Chapter 17 of the Listing Rules shall continue to be valid and exercisable and the provisions of the New Share Option Scheme shall remain in full force and effect in relation to any such Options.

23. CONDITIONS

The New Share Option Scheme will be conditional on:

- (A) the approval of the New Share Option Scheme by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government;
- (B) the passing of an ordinary resolution to adopt the New Share Option Scheme by the Shareholders; and
- (C) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of the Options in accordance with the terms of the New Share Option Scheme.

24. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

A grant of Options may not be made after inside information (as defined under the SFO) has come to the knowledge of the Company until such information has been announced in accordance with the requirements of the Listing Rules and the SFO (as the case may be). In particular, no Option may be granted during the period commencing one month immediately preceding the earlier of:

- (A) date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (B) the deadline for the Company to publish an announcement of its results for any year, half year, under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules);

and ending on the date of the results announcement. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement by the Company.

25. MANAGEMENT

The Board is responsible for the management of the New Share Option Scheme, and the resolutions of the Board shall be final (unless otherwise required under the terms of the New Share Option Scheme and Chapter 17 of the Listing Rules) and binding on all stakeholders of the New Share Option Scheme.

Unless otherwise required, the decisions made by the Board in respect of any disputes resulting from the New Share Option Scheme shall have final adjudication and shall be binding. If the circumstances stipulated in paragraph 15 above occur, the Board shall first consult the independent financial advisors or Auditors.

The following is a summary of the principal terms of the 2026 Options proposed to be approved at the EGM:

Expected date of grant:	Within 12 months of the date of EGM, or such date as agreed by the Company.
Expected Exercise Price of the 2026 Options:	The exercise price shall be determined on or immediately before the date of grant of the 2026 Options, and shall in any event represent the higher of (i) the closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the face value of the Share.
Number of the 2026 Options to be granted:	No more than 52,140,000 Shares.
Validity period of the 2026 Options:	7 years from grant date, both dates inclusive.
Vesting period of the 2026 Options:	No Options granted under the New Share Option Scheme shall vest until the expiry of a three (3)-year vesting period from the date of grant. Subject to the satisfaction of the applicable vesting conditions, the Options shall vest in tranches as follows: (i) 30% of the Options shall vest on the third anniversary of the date of grant; (ii) 30% of the Options shall vest on the fourth anniversary of the date of grant; and (iii) the remaining 40% of the Options shall vest on the fifth anniversary of the date of grant. Any vested but unexercised Options, and any Options which have not vested, shall lapse and cease to be exercisable upon the seventh anniversary of the date of grant (or such earlier date as may be specified in accordance with the terms of the New Share Option Scheme).

The 2026 Options are expected to be granted within 12 months after the date of the EGM. The Grantees will include employees of the Group, with the total number of Grantees currently expected not to exceed 2,700. The 2026 Options are included in this circular in order to seek the approval of the Shareholders as required under the Rules applicable to the Company as a state-controlled overseas listed company. As the identity and number of Grantees, the number of 2026 Options to be granted to each Grantee and the Exercise Price have not yet been finalised, the approval sought at the EGM is not intended to constitute approval of any grant which is subject to separate Shareholders' approval under Chapter 17 of the Listing Rules.

As at the Latest Practicable Date, none of the proposed Grantees is a Director of the Company and the Company does not expect any grant of the 2026 Options to any individual Grantee to exceed any threshold requiring separate Shareholders' approval under Chapter 17 of the Listing Rules. A proposed Grantee may become a Director of the Company prior to the grant of the 2026 Options. The Company confirms that such change in identity will not, by itself, trigger any requirement for separate Shareholders' approval under Chapter 17 of the Listing Rules, and the Company will comply with the applicable requirements under Chapter 17 of the Listing Rules, including making further announcement(s) and disclosure as may be required. As soon as possible upon the grant of the 2026 Options, the Company will publish an announcement in accordance with Rule 17.06A of the Listing Rules. Such announcement will contain the information required under Rule 17.06B in tabular form, with disclosure on an individual basis in respect of the Grantees falling within Rule 17.06A(2). The announcement will also disclose the number of Shares available for future grant under the Scheme Mandate Limit in accordance with Rule 17.06C of the Listing Rules. The Company expects that none of the proposed grants will be subject to separate Shareholders' approval under Chapter 17 of the Listing Rules. Accordingly, no further circular is expected to be required in connection with the grant of the 2026 Options, and the Company will publish an announcement upon grant in accordance with Rules 17.06A, 17.06B and 17.06C of the Listing Rules.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Hua Hong Grace Semiconductor Limited (the “**Company**”) will be held as a hybrid meeting on 22 October 2026 at 2:30 p.m., (or at any adjournment thereof) with a combination of a physical meeting at No. 288, Halei Road, Pudong New Area, Shanghai, PRC and a virtual meeting online to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 30 September 2026 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “THAT, subject to and conditional upon the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government granting approval of the share option scheme of the Company (the “**New Share Option Scheme**”) and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and permission to deal in, shares of the Company (the “**Shares**”) which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the New Share Option Scheme, the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the chairman of the meeting, the New Share Option Scheme be and is hereby approved and adopted as at the date of passing this resolution and that the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:
 - (a) to manage and administer the New Share Option Scheme;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) to modify and/or amend the New Share Option Scheme from time to time, provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”);
 - (c) the Directors be and are hereby authorised to grant options to subscribe for Shares in accordance with the rules of the New Share Option Scheme and the Listing Rules as at the date of passing of this resolution, and to allot and issue from time to time such number of Shares as may fall to be issued pursuant to the exercise of the options under the New Share Option Scheme, provided always that the total number of Shares subject to the New Share Option Scheme, when aggregated with any Shares subject to any grants after the date of passing this resolution pursuant to any other share option schemes of the Company, shall not exceed 10% of the relevant class of the Shares in issue as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme and any other share option schemes of the Company, and the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the relevant class of the Shares in issue from time to time; and
 - (d) to take all such steps as may be necessary, desirable or expedient to carry into effect the New Share Option Scheme from the close of business of the day on which this resolution is passed.”
2. “THAT, subject to the adoption of the New Share Option Scheme, the grant of no more than 52,140,000 share options (the “**2026 Options**”) under the New Share Option Scheme, be and are hereby approved and adopted as at the date of passing this resolution and that the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the 2026 Options, including but without limitation:
- (a) to manage and administer the 2026 Options;
 - (b) to modify and/or amend the 2026 Options from time to time, provided that such modification and/or amendment is effected in accordance with the provisions of the 2026 Options;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) the Directors be and are hereby authorised to grant options to subscribe for Shares in accordance with the rules of the 2026 Options as at the date of passing of this resolution, and to allot and issue from time to time such number of Shares as may fall to be issued pursuant to the exercise of the options under the 2026 Options, provided always that the total number of Shares subject to the New Share Option Scheme, inclusive of the 2026 Options, when aggregated with any Shares subject to any grants after the date of passing this resolution pursuant to any other share option schemes of the Company, shall not exceed 10% of the relevant class of the Shares in issue as at the date of passing this resolution, but the Company may seek approval of its shareholders in general meeting for refreshing the 10% limit under the New Share Option Scheme and any other share option schemes of the Company, and the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the relevant class of the Shares in issue from time to time; and
- (d) to take all such steps as may be necessary, desirable or expedient to carry into effect the 2026 Options from the close of business of the day on which this resolution is passed.”

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

Shanghai, PRC, 30 September 2026

As at the date of this notice, 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

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 No. 288, Halei Road, Pudong New Area, Shanghai, PRC; or (b) through the Internet by using their computer, tablet device or smartphone.
2. 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.
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. 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 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 2:30 p.m. on 20 October 2026. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.
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 16 October 2026 to 22 October 2026 (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 15 October 2026. All persons who are registered holders of the Shares on 22 October 2026, the record date for the EGM, will be entitled to attend and vote at the EGM.
7. Pursuant to the relevant Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll. As such, the resolutions set out in the Notice of the EGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the EGM.
8. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
9. 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.
10. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.