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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: 01347)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO**

**(1) PROPOSED REVISION OF EXISTING ANNUAL CAP UNDER THE 2026
HUAHONG GROUP FRAMEWORK AGREEMENT
AND
(2) EQUIPMENT LEASE AND PROPOSED NEW ANNUAL CAP**

**PROPOSED REVISION OF EXISTING ANNUAL CAPS UNDER THE 2026 HUAHONG
GROUP FRAMEWORK AGREEMENT**

Reference is made to the announcements of the Company dated (i) 31 August 2025, 31 December 2025, 22 January 2026, and 11 September 2026 in relation to the Proposed Acquisition; and (ii) 30 December 2025 in relation to, amongst others, the 2026 Huahong Group Framework Agreement.

Pursuant to the 2026 Huahong Group Framework Agreement, the Existing Sales Annual Cap for the year ending 31 December 2026 is US\$90,000,000.

Following Completion of the Proposed Acquisition, Huali Micro has become a wholly-owned subsidiary of the Company and any continuing transactions between Huali Micro and the Huahong Group Companies will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Accordingly, the Board is of the view that the Existing Sales Annual Cap under the 2026 Huahong Group Framework Agreement will not be sufficient to meet the expected sales transaction amount for the year ending 31 December 2026 under the 2026 Huahong Group Framework Agreement. Therefore, the Company intends to increase the Existing Sales Annual Cap to US\$120,000,000 (the “**Revised Sales Annual Cap**”).

The Revised Sales Annual Cap is determined principally by reference to, (i) the historical amount of sales between Huali Micro and Huahong Group Companies; (ii) the amount of the Existing Sales Annual Cap utilized for the period from 1 January 2026 to 30 June 2026; (iii) the expected amount of sales between the Group and Huahong Group Companies for the period from the date of Completion to 31 December 2026; (iv) a reasonable buffer to accommodate potential fluctuations in transaction volumes, product mix, market prices and foreign exchange rates; and (v) the general market conditions of the semiconductor market.

Save for the Revised Sales Annual Cap, all other material terms of the 2026 Huahong Group Framework Agreement shall remain unchanged and in full force.

EQUIPMENT LEASE AND PROPOSED NEW ANNUAL CAP

Following the Completion of the Proposed Acquisition, the Equipment Lease shall become continuing connected transactions between the Group and the Huahong Group Companies.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Huahong Group is a substantial Shareholder of the Company. Therefore, Huahong Group and the Huahong Group Companies, including Hongri, Huahong Zealcore and Huali MC, are connected persons of the Company.

Accordingly, (i) the 2026 Huahong Group Framework Agreement, (ii) the Equipment Lease and (iii) the Proposed New Annual Cap and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(a) The 2026 Huahong Group Framework Agreement

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise an annual cap for its continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions.

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Revised Sales Annual Cap is above 0.1% but below 5%, the continuing connected sales transactions contemplated under the 2026 Huahong Group Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(b) The Equipment Lease

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Equipment Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the Equipment Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. PROPOSED REVISION OF EXISTING ANNUAL CAPS UNDER THE 2026 HUAHONG GROUP FRAMEWORK AGREEMENT

1.1 Background

Reference is made to the announcements of the Company dated 30 December 2025 in relation to, amongst others, the 2026 Huahong Group Framework Agreement between the Company (on behalf of the Group) and Huahong Group (on behalf of the Huahong Group Companies) for a term of one year from 1 January 2026 to 31 December 2026 (both dates inclusive), which regulates, among others, (i) the sale by the Group of semiconductor products, including wafers and integrated circuits, to the Huahong Group Companies; and (ii) the purchase by the Group of semiconductor products, including wafers, chemicals and other commodities, from the Huahong Group Companies.

Further reference is made to the announcements of the Company dated 31 August 2025, 31 December 2025, 22 January 2026, and 11 September 2026 in relation to the Proposed Acquisition. Following Completion of the Proposed Acquisition, Huali Micro has become a wholly-owned subsidiary of the Company and any continuing transactions between Huali Micro and the Huahong Group Companies will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules, which will lead to an increase in the annual transaction amount between the Group and the Huahong Group Companies.

Specifically, the Board is of the view that the Existing Sales Annual Cap under the 2026 Huahong Group Framework Agreement will not be sufficient to meet the expected sales transaction amount for the year ending 31 December 2026 under the 2026 Huahong Group Framework Agreement, and such cap should be revised upward accordingly.

Save for the revision of the Existing Sales Annual Cap as described below, the terms of the 2026 Huahong Group Framework Agreement have not been changed or modified in any aspect and the major terms thereof were set out in the section headed “1.1 Principal terms of the 2026 Huahong Group Framework Agreement” in the announcement of the Company dated 30 December 2025.

1.2 The Revised Sales Annual Cap

The Company proposes that the Existing Sales Annual Cap under the 2026 Huahong Group Framework Agreement be revised upward to US\$120,000,000. Following the revision, the annual caps under the 2026 Huahong Group Framework Agreement are as follows:

(Unit: USD'000)

Type of transactions	Before revision	After revision
Sales transactions	90,000	120,000 ^{Note}
Purchase transactions	90,000	90,000 (unchanged)

Note: transaction amounts denominated in RMB will be converted into USD by reference to the applicable exchange rate adopted by the Group in the ordinary course of its financial reporting and internal control procedures from time to time.

1.3 Basis for determining the Revised Sales Annual Cap

In arriving at the Revised Sales Annual Cap, the Directors considered:

- (i) the historical amount of sales between Huali Micro and Huahong Group Companies as further discussed below;
- (ii) the amount of the Existing Sales Annual Cap utilized for the period from 1 January 2026 to 30 June 2026 as further discussed below;
- (iii) the expected amount of sales between the Group and Huahong Group Companies for the period from the date of Completion to 31 December 2026;
- (iv) a reasonable buffer to accommodate potential fluctuations in transaction volumes, product mix, market prices and foreign exchange rates; and
- (v) the general market conditions of the semiconductor market.

Historical amount of sales between Huali Micro and Huahong Group Companies

The following table sets out the historical transaction amounts of sales from Huali Micro to the Huahong Group Companies for the years ending 31 December 2024 and 2025 and for the period commencing on 1 January 2026 and ending on 30 June 2026:

(Unit: USD'000)

Transaction amounts	For the Year ended 31 December 2024 <i>(audited)</i>	For the Year ended 31 December 2025 <i>(audited)</i>	For the six months ended 30 June 2026 <i>(unaudited)</i>
Huali Micro's sales to Huahong Group Companies	43,000	33,000	43,000

Amount of the Existing Sales Annual Cap utilized

For the period commencing on 1 January 2026 and ending on 30 June 2026, the amount of sales to the Huahong Group Companies by the Group (excluding Huali Micro as the Proposed Acquisition had not been completed and therefore Huali Micro was not a member of the Group) under the 2026 Huahong Group Framework Agreement was approximately US\$11,081,000, representing approximately 12.3% of the Existing Sales Annual Cap (i.e. US\$90,000,000).

As at the date of this announcement, the Existing Sales Annual Cap for the year ending 31 December 2026 has not been exceeded.

1.4 Reasons for and benefits of revising the Existing Sales Annual Cap

Revising the Existing Sales Annual Cap will enable Huali Micro to maximize its production capacity and at the same time minimise the impact of the Proposed Acquisition on Huali Micro's operations and financial performance. Further, as per the transaction amount of Huali Micro's sales to Huahong Group Companies as disclosed above, the transaction amount for the six months ended 30 June 2026 was approximately US\$43,000,000, indicating a significant increase compared with the annual transaction amount for the year ended 31 December 2025, indicating strong demand and performance. Following the Completion of the Proposed Acquisition, Huali Micro is expected to be fully integrated into the Group. Its customers, product portfolio, process platforms, production capacity and business transactions are expected to be integrated with those of the Group. The revision of the Existing Sales Annual Cap, together with the integration as aforementioned, is expected to enhance Huali Micro's operating performance and thus maximize the interests of the Shareholders.

The Directors (including the independent non-executive Directors) are of the view that (i) the terms of the 2026 Huahong Group Framework Agreement and the Revised Sales Annual Cap are fair and reasonable; (ii) the terms of the 2026 Huahong Group Framework Agreement are on normal commercial terms or better and the transactions thereunder are and will continue to be conducted in the ordinary and usual course of business of the Group; and (iii) the terms of the 2026 Huahong Group Framework Agreement and the Revised Sales Annual Cap are in the interest of the Company and its Shareholders as a whole.

2. EQUIPMENT LEASE AND PROPOSED NEW ANNUAL CAP

2.1 Background

Following the Completion of the Proposed Acquisition, the Equipment Lease shall become continuing connected transactions between the Group and Huali MC.

The Company has taken over the Equipment Lease with effect from 1 October 2026, as agreed between the Company and Huahong Group.

2.2 The Equipment Lease

The principal terms of the Equipment Lease are summarised below:

Date:	1 May 2025
Parties:	Huali MC as lessor, Huali Micro as lessee
Term:	21 months, from 1 April 2025 to 31 December 2026 ^{Note}
Nature of transactions:	Huali MC agreed to lease certain manufacturing equipment to Huali Micro.
Pricing:	The fee payable by Huali Micro to Huali MC is determined after arm's length negotiations with reference to Huali Micro's utilisation of the relevant equipment proportionate to the total costs in relation to such equipment (including procurement costs, administrative and employment costs incurred during the preceding quarter and maintenance fees actually incurred). The fee is charged on a cost-sharing basis.

2.3 Historical transaction amounts

The following table sets out the historical transaction amounts of rental fees paid between the parties under the Equipment Lease for the years ending 31 December 2024 and 2025 and for the period commencing on 1 January 2026 and ending on 30 September 2026:

(Unit: RMB)

Transaction amounts	For the year ended 31 December 2024 (unaudited)	For the year ended 31 December 2025 (unaudited)	For the period ended 30 September 2026 (unaudited)
Equipment Lease	2,213,635.21	23,078,253.80	16,353,982.23

2.4 Proposed annual cap for the Equipment Lease

The Board proposes that the new annual cap below be set for the leasing transaction under the Equipment Lease in respect of the year ending 31 December 2026.

(Unit: RMB)

Annual Cap	For the year ended 31 December 2026^{Note}
Equipment Lease	27,000,000.00

Note: It has been agreed by the Company and the Huahong Group that the Company will take over the Equipment Lease with effect from 1 October 2026.

In arriving at the above Proposed New Annual Cap of the Equipment Lease, the Directors considered (i) the total quarterly fee payable under the Equipment Lease; and (ii) a buffer for unexpected increases in the utilisation of the equipment.

2.5 Reasons for and benefits of entering into the Equipment Lease

The Equipment Lease is an existing agreement entered into by Huali Micro prior to the Completion of the Proposed Acquisition. Upon Completion, the Company not only takes over Huali Micro, but also intends to take on the business transactions previously entered into by Huali Micro, including the Equipment Lease, with a view to minimizing disruption to Huali Micro's existing operations and business transactions with the Huahong Group Companies.

Further, the Company considers that the continuance of the Equipment Lease is in the interests of the Group and its Shareholders as a whole and is commercially justifiable. Given that the relevant equipment has been specifically configured for current operations, maintaining the existing leasing arrangement represents the most cost-effective means of continuing to utilise the relevant equipment and facilities.

Having reviewed the terms of the Equipment Lease, the Directors (including the Independent Non-Executive Directors) consider that:

- (i) the terms of the Equipment Lease are fair and reasonable;
- (ii) the entering into of the Equipment Lease is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and
- (iii) the entering into of the Equipment Lease is in the interest of the Company and its Shareholders as a whole.

3. LISTING RULES IMPLICATIONS

As at the date of this announcement, Huahong Group is a substantial Shareholder of the Company. Therefore, Huahong Group and the Huahong Group Companies, including Hongri, Shanghai Zealcore and Huali MC, are connected persons of the Company.

Accordingly, (i) the 2026 Huahong Group Framework Agreement, (ii) the Equipment Lease and (iii) the Proposed New Annual Cap and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

3.1 The 2026 Huahong Group Framework Agreement

As each of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Revised Sales Annual Cap is above 0.1% but below 5%, the continuing connected sales transactions contemplated under the 2026 Huahong Group Framework Agreement are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3.2 Equipment Lease

As one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Equipment Lease is above 0.1% but below 5%, the continuing connected transactions contemplated under the Equipment Lease are only subject to the reporting, announcement and annual review requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As of the date of this announcement, none of the Directors has material interest in the above transactions. Except for Ms. Chengyan Xiong, who was required to abstain from voting pursuant to the Rules Governing the Listing of Stock on the Science and Technology Innovation Board of the Shanghai Stock Exchange, no Director was required to abstain from voting at the Board meeting.

3.3 The Huali Micro Lease and the 2026 Huali Micro Clean Room Lease

Reference is made to the announcement of the Company dated 30 December 2025 with regard to the 2026 Huali Micro Clean Room Lease and the Huali Micro Lease. Following Completion of the Proposed Acquisition, Huali Micro has become a wholly-owned subsidiary of the Company and has ceased to be a connected person of the Company. Therefore, the Huali Micro Lease and the 2026 Huali Micro Clean Room Lease and the transactions contemplated thereunder no longer constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

4. INFORMATION ABOUT THE PARTIES

4.1 The Company and the Group

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

4.2 Huahong Group

Huahong Group is a high-tech industry group which primarily focuses on IC manufacturing, research and development of advanced IC manufacturing process, IC systems integration and application services, sale of electronic components and overseas venture capital investment. For details of the transactions which are to be governed by the 2026 Huahong Group Framework Agreement, please refer to the announcements of the Company dated 30 December 2025.

4.3 Huali Micro

Huali Micro's principal business is developing and operating a 300mm wafer fab. Upon Completion of the Proposed Acquisition, Huali Micro has become a wholly-owned subsidiary of the Company.

4.4 Huali MC

Huali MC is a subsidiary of Huahong Group and is primarily engaged in the manufacture and sale of 300mm wafer.

5. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“2026 Huahong Group Framework Agreement”	the framework agreement dated 30 December 2025 entered into between the Company and Huahong Group to regulate the sales and purchase transactions and provision of services between the Group and Huahong Group Companies for the year ending 31 December 2026
“2026 Huali Micro Clean Room Lease”	the lease agreement entered into between HHGrace Shanghai and Huali Micro on 30 December 2025, pursuant to which HHGrace Shanghai agreed to lease certain clean rooms to Huali Micro for a term of one year commencing on 1 January 2026
“Acquisition Agreement”	the agreement dated 29 August 2025 entered into between the Company and the Vendor in relation to the Proposed Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Hua Hong Grace Semiconductor Limited (華虹宏力半導體有限公司), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Completion”	completion of the Proposed Acquisition in accordance with the Acquisition Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equipment Lease”	The lease agreement entered into between Huali MC and Huali Micro, the details of which are disclosed under section 2.2 of this announcement
“Existing Sales Annual Cap”	the existing annual cap of US\$90 million for sales transactions under the 2026 Huahong Group Framework Agreement for the year ending 31 December 2026
“Group”	the Company and its subsidiaries immediately after the Completion
“HHGrace Shanghai”	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a wholly-owned subsidiary of the Company

“Hongri”	Shanghai Hua Hong Hongri Electronics Co., Ltd. (上海華虹虹日電子有限公司), previously known as Shanghai Hongri International Electronics Co., Ltd. until 16 December 2021, a company owned as to 51% by Huahong Group and a connected person of the Company
“Huahong Group”	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC on 9 April 1996 as Shanghai Hua Hong Microelectronics Co., Ltd. and renamed as Shanghai Huahong (Group) Co., Ltd. in 1998, and a substantial Shareholder of the Company. It is ultimately owned as to 51.74%, 15.29%, 15.29%, 9.73% and 7.96% by Shanghai SASAC and its subsidiaries, namely Shanghai International Group Corporation Limited (上海國際集團有限公司), Shanghai Guosheng Group Co., Ltd (上海國盛(集團)有限公司) and INESA (Group) Co., Ltd. (上海儀電(集團)有限公司), being wholly-owned subsidiaries of Shanghai SASAC, and Shanghai Lingang Economic Development (Group) Co., Ltd. (上海臨港經濟發展(集團)有限公司), respectively, being a non-wholly owned subsidiary of Shanghai SASAC
“Huahong Group Companies”	Huahong Group, its subsidiaries and Associates (excluding members of the Group)
“Huahong Zealcore”	Shanghai Huahong Zealcore Electronics Technology Co., Ltd. (上海華虹摯芯電子科技有限公司), a company incorporated in the PRC on 30 December 2000 which is 93.02% owned by Huahong Group, and a connected person of the Company
“Huali MC”	Shanghai Huali Integrated Circuit Manufacturing Co., Ltd. (上海華力集成電路製造有限公司), a company incorporated in the PRC on 8 August 2016, which is controlled by Huahong Group, and a connected person of the Company
“Huali Micro”	Shanghai Huali Microelectronics Corporation (上海華力微電子有限公司), a company established in the PRC with limited liability
“Huali Micro Lease”	the lease agreement entered into between the Group and Huali Micro on 25 February 2010 and the supplemental agreements between the Group and Huali Micro dated 10 June 2011 and 25 July 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“Proposed Acquisition”	the proposed acquisition by the Company of 97.4988% of the equity interest in Huali Micro pursuant to the Acquisition Agreement. For further details, please refer to the Company’s announcements dated 31 August 2025

“Proposed New Annual Cap”	the new annual cap to be set for the leasing transaction under the Equipment Lease in respect of the year ending 31 December 2026
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 21 October 2026

As of 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

Yimin Chen

Chengyan Xiong

Independent Non-executive Directors:

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Songlin Feng