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**HUA HONG SEMICONDUCTOR LIMITED**  
**華虹半導體有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 1347)**

**ANNOUNCEMENT**  
**CONNECTED TRANSACTION**  
**IN RELATION TO RENOVATION WORK FOR DORMITORY PREMISES**

On 25 May 2015, Huahong Real Estate, an indirect subsidiary of Huahong Group, our controlling shareholder, entered into the Supplemental Lease Agreement with HHGrace, a wholly-owned subsidiary of the Company, in relation to certain Renovation Work on the Dormitory Premises.

**BACKGROUND**

On 10 January 2013, a predecessor of HHGrace and Huahong Real Estate entered into the Lease Agreement pursuant to which Huahong Real Estate agreed, among others, to engage third party contractors to provide Renovation Work for the Dormitory Premises leased by Huahong Real Estate. Details of the lease of the Dormitory Premises was disclosed in the section headed "Connected Transactions" in the Prospectus of the Company. Pursuant to the Lease Agreement, Huahong Real Estate agreed to engage third party contractors by way of public tender to perform the Renovation Work for a total consideration of RMB15,557,400. Such amount was determined based on an estimate of the cost of third party contractors engaged by Huahong Real Estate to perform the Renovation Work. The full amount of RMB15,557,400 was settled in cash by our Group in January 2013 on a one-off basis. Since October 2013, as a result of a merger and reorganisation of the Group, HHGrace succeeded its predecessor to become a party to the Lease Agreement.

**SUPPLEMENTAL LEASE AGREEMENT**

The Renovation Work was completed at the end of 2014. However, the third party contractors had advised Huahong Real Estate, who in turn, advised HHGrace that due to a combination of factors, principally the change of design and specification required by HHGrace of the Dormitory Premises, the total actual cost incurred by Huahong Real Estate in the engagement of third party contractors for the Renovation Work had increased from RMB15,557,400 by approximately RMB11,810,000 to RMB27,367,400. Such amounts were verified and audited by a qualified independent third party.

In order to address the Additional Amount incurred for the Renovation Work performed under the original Lease Agreement, HHGrace agreed to enter into the Supplemental Lease Agreement with Huahong Real Estate, pursuant to which HHGrace will pay to Huahong Real Estate an Additional Amount of up to RMB11,810,000 in cash. The actual Additional Amount to be paid has been determined on the basis of the actual cost incurred by Huahong Real Estate in engaging third party contractors for the Renovation Work.

## **REASONS FOR THE TRANSACTION**

As disclosed in the Prospectus, the Dormitory Premises is leased by our Group from Huahong Real Estate for use as staff quarters. The Renovation Work was necessary to enable the Group's staff members to occupy the Dormitory Premises. Further, given that Huahong Real Estate is the landlord of the Dormitory Premises, it is desirable to appoint Huahong Real Estate to engage third party contractors to perform the Renovation Work to satisfy the practical needs of HHGrace as the tenant prior to commencement of the lease of the Dormitory Premises by HHGrace.

The Additional Amount to be paid by our Group to Huahong Real Estate was determined purely on a cost basis, representing the additional cost of the third party contractors. The Directors (including the independent non-executive Directors) consider the Additional Amount and the terms of the Supplemental Lease Agreement to be on normal commercial terms in the ordinary and usual course of business of the Company, are fair and reasonable and in the interest of the Shareholders as a whole.

## **INFORMATION OF HUAHONG REAL ESTATE**

Huahong Real Estate is principally engaged in real estate development and operation, property management, interior design, construction, sales of building material and management of car parks of real estate projects.

Huahong Real Estate is a wholly-owned subsidiary of Shanghai Huahong Technology Development Co., Limited, a direct subsidiary of Huahong Group, our controlling shareholder, which is 50% held by and consolidated with Huahong Group and 50% held by HHNEC, and is a connected person of the Company.

## **INFORMATION OF THE COMPANY**

The Company is a global, leading pure-play foundry focused on research, development and manufacturing semiconductors on 200mm wafers for specialty applications, in particular embedded non-volatile memories and power discretets. The Company also offers foundry services for advanced RFCMOS, analog and mixed signal, power management IC and MEMS. HHGrace is a wholly-owned subsidiary of the Company.

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Supplemental Lease Agreement exceeds 0.1% but is less than 5%, the Supplemental Lease Agreement is subject to the reporting and announcement requirements, but is exempted from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Due to the interest of Huahong Group in the transaction, Mr. WenbiaoFu, Mr. Jianbo Chen and Mr. Yuchuan Ma, being directors nominated by Huahong Group, and Mr. Jun Ye and Mr. Yu Wang, both being directors nominated by Shanghai Alliance Investment Ltd., the controlling shareholder of Huahong Group, have abstained from voting in relation to the Supplemental Lease Agreement and the transaction contemplated thereunder. Save and except for the abovementioned directors, no Director has a material interest in the transaction under the Supplemental Lease Agreement.

## **DEFINITIONS**

The following expressions shall have the meaning ascribed next to it:

"Additional Amount"                      the additional amount of up to RMB11,810,000 agreed to be paid by HHGrace to Huahong Real Estate for the Renovation Work pursuant to the Supplemental Lease Agreement;

"Company"	Hua Hong Semiconductor Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange;
"Directors"	the directors of the Company;
"Dormitory Premises"	the dormitory premises situated at Hua Hong Innovation Park, Nong 2777, Jinxiu Road East, Pudong New Area, Shanghai, PRC;
"Grace Shanghai"	Shanghai Grace Semiconductor Manufacturing Corporation (上海宏力半導體製造有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company, which was consolidated with HHNEC into HHGrace since October 2013;
"Group"	the Company and its subsidiaries;
"Huahong Group"	Shanghai Huahong (Group) Co., Ltd. (上海華虹(集團)有限公司), a company incorporated in the PRC and a controlling shareholder of the Company;
"Huahong Real Estate"	Shanghai Huahong Real Estate Co., Ltd. (上海華虹置業有限公司), a company incorporated in the PRC, an indirect subsidiary of Huahong Group and an associated company of the Company, and a connected person of the Company;
"HHGrace"	Shanghai Huahong Grace Semiconductor Manufacturing Corporation (上海華虹宏力半導體製造有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company;
"HHNEC"	Shanghai Hua Hong NEC Electronics Co., Ltd. (上海華虹NEC 電子有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of the Company, which was consolidated with Grace Shanghai into HHGrace since October 2013;
"Lease Agreement"	the lease agreement dated 10 January 2013 (as supplemented on 10 June 2014) entered into between HHNEC and Huahong Real Estate in relation to the leasing of the Dormitory Premises by HHNEC from Huahong Real Estate and the engagement of third party contractors by Huahong Real Estate to perform certain renovation work for the Dormitory Premises;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"MEMS"	microelectromechanical systems;
"PRC"	The People's Republic of China;

"Prospectus"		the prospectus of the Company dated 3 October 2014;
"Renovation Work"		the renovation work performed by third party contractors engaged by Huahong Real Estate on the Dormitory Premises pursuant to the Lease Agreement;
"RFCMOS"		radio-frequency complementary metal oxide semiconductor (CMOS);
"RMB"		Renminbi, the lawful currency in the PRC;
"Shareholders"		holder(s) of the shares of the Company;
"Stock Exchange"		The Stock Exchange of Hong Kong Limited; and
"Supplemental Agreement"	Lease	the supplemental agreement to the Lease Agreement entered into by HHGrace and Huahong Real Estate on 25 May 2015 in relation to the payment of an additional amount of up to RMB11,810,000 for the Renovation Work.

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

Shanghai, PRC, 25 May 2015

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

***Executive Directors***

Wenbiao Fu (Chairman)

Yu Wang (President)

***Non-executive Directors***

Jianbo Chen

Yuchuan Ma

Takayuki Morita

Jun Ye

***Independent Non-executive Directors***

Stephen Tso Tung Chang

Kwai Huen Wong, JP

Long Fei Ye